

**MUNICIPAL DEVELOPMENT
AND
CITIZEN PARTICIPATION PROJECT
FOR USAID/EL SALVADOR**

USAID Project No. 519-0388

INTERIM EVALUATION

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INTERIM EVALUATION OF USAID'S MUNICIPAL DEVELOPMENT AND CITIZEN PARTICIPATION PROJECT IN EL SALVADOR

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EXECUTIVE SUMMARY

A. Origins and Outreach of Project

USAID has played a key role in strengthening democratic governance at the local level since the close of the civil war in El Salvador in 1992. Primarily through the association of mayors (COMURES), USAID has had a direct impact on the national policy dialogue about the role of local government. As a result, a legal framework is now in place which creates a space for developing stronger municipal governments. Through the MEA program, USAID has had a notable impact on opening up municipal government to public participation through *cabildos abiertos*, or open town meetings. The underlying philosophy behind these efforts is that stabilization of democracy in El Salvador depends on the development of vibrant, responsive, democratic government at the local level, which is the primary point of contact between the state and the citizenry.

To support the decentralization process and show how local governments could become more responsive to local needs, USAID proposed a pilot project to provide technical assistance to selected municipalities and pursue the national policy dialogue. The Municipal Development Project (MDP), was approved in late 1993, with the Government of El Salvador and COMURES as counterparts.

The Project, which began implementation in 1994, has three major components:

1. National Policy Reform and Formulation:

The first component continued support to COMURES, to advocate reforms allowing more autonomous and participatory municipal governments.

2. Municipal Strengthening:

The second component was designed to use the legal space brought to the municipalities for self-strengthening, focusing on municipal finances, customer service delivery, and administration in selected municipalities.

3. Local Democratic Development:

Following the pilot project format with selected municipalities, this component was designed to explore the different methods of citizen participation to improve the municipality/community relations.

The Project was designed to support USAID/ES's Strategic Objective No. 3: promoting enduring democratic institutions and practices in El Salvador. The Project supported two intermediate results: (1) enhance the participation of the Salvadoran populace in the local democratic process, and (2) improve the capacity of the municipalities to respond to the needs

of their constituents, through improved service delivery. The first result relates to increasing stakeholder ownership in local government. The second result relates to modernizing local government - i.e., making it less politicized and more efficient, self-supporting, and customer-driven. It was considered that the "clients" for the Project, during the first phase, were considered to be local citizens, especially those residing within the limits of municipal capitals, and the "partners" in the Project were considered to be elected officers and municipal government staff.

USAID selected Research Triangle Institute (RTI), a well known North American consulting firm, to be the institutional technical assistance contractor for the municipal strengthening and participation components. The institutional contractor began work in the summer of 1994. This evaluation was conducted in May/June 1996.

B. Stakeholder Views on Project Efforts in Pilot Municipalities

The predominant view among those familiar with the Project efforts in the seven pilot municipalities - i.e., local elected officials, municipal employees, Project staff, certain institutions (e.g., ISDEM, GTZ) - is that the primary benefit of the Project has been to increase municipal revenues in the pilot municipalities. The second most frequently cited benefit is improved municipal image due to greater citizen participation, better 'customer' service, and more efficient management. Urban residents interviewed in the pilot municipalities expressed awareness of improvements over the last year in municipal services, more frequent communication from the municipality, and better service at the local government offices, although they were generally unaware of the Project itself.

Two of the Project's counterpart institutions - COMURES and the Government of El Salvador itself, did not evidence a sense of ownership of the Project, despite periodic meetings of an "ad hoc" oversight committee consisting of COMURES, the Ministry of Foreign Relations, ISDEM, USAID and the institutional contractor.

In terms of problems with Project efforts in the pilot municipalities, elected officials most frequently cited the Project's inability to fulfill promises to obtain MEA funding for agreed-upon capital improvement projects (selected services).

C. National Policy Reform and Formulation Component

While significant advances in the legal framework affecting municipalities have been made in the last two years, important bottlenecks remain, which USAID continues to address, especially the issues of proportional representation on municipal councils and the possibility of independent mayoral candidates. The issue of property tax appears to have lost its momentum for the time being.

- Since COMURES has taken possession, it should be supported to conduct the dialogue on reform and change. To this effect, the Corporation should organize itself in order to have

a small analysis unit that will allow it to build the analytical base needed for effective dialogue.

- Instead of stimulating the formulation of a global and comprehensive strategy for decentralization and strengthening of local governments (ala the CDM style and recent similar initiatives), the MDCPP should orient the sectorial dialogue, as ANDA did with the water. Sectorial dialogue has proven to be more effective. COMURES should conduct it and be prepared for it.
- In relation to non-controversial reforms, the dialogue with the Legislative Assembly is fluid and effective as demonstrated with the approval of the group of four municipal reforms. It is necessary to take advantage of this positive environment in the Legislative Assembly in the year 1996 and pursue other necessary reforms (see details in Chapter III).
- Finally, the dialogue with political parties has been scarce. Given the importance that government policies - and the reform - have in political party leadership, it is necessary to initiate their involvement in order to sensitize them on the subject and start including the theme in their platforms.

D. Municipal Strengthening Component

The main effort under this component was to achieve an increase in the revenues of selected municipalities through: cost analysis of services provided; improved collections, payment and recuperation procedures; increase of the tax base; physical and functional reorganization of tasks in municipal offices; changes in service rates and municipal taxes; and, computerization of consolidated systems.

Project staff along with municipal officers revised the payment, collection and recuperation system for selected municipalities where based on those results, a written guideline was redefined for each municipality explaining the procedures and steps that citizens and employees must follow in each aspect of municipal income and accounts. With the procedures already established and knowing the real cost of services, the municipality, with support from the institutional contractor staff, systematized the normal collection and reformed service rates. Also, several mechanisms for the recuperation of delinquent accounts were implemented and financing agreements were developed, periodic meetings with delinquent clients, awareness letters, collection campaigns, and application of interest and fines had good results. Likewise, absolute controls were transformed to facilitate attention to the client. The increase of the tax base was initiated with data collection work for the commercial cadastre in selected municipalities.

The modernization process was initiated in the municipalities with reorganizations in selected municipalities and the computerization of the system in the municipality of Sonsonate. The advances involved reorientation and relocation of personnel in their functions and physically within the Mayor's Office. The training of municipal employees with support from Project staff

complements the capacity of these officials in the municipality's modernization.

The financial component has had important achievements for the municipality's income, increasing it by an average of 50% in only three months (first quarter of 1996). The attitude change of municipal officers, council members and mayors is very important, since it constitutes an underlying base in achieving municipal income increases, as working agreements were achieved which recognize the present situation in regard to financial deficit levels in community services.

E. Local Democratic Development Component

The MDP approach to citizen participation in its pilot phase was to complement and bolster improvements made under the Project in the areas of municipal finance, administration and project development. The underlying principle was that changes in these areas would not be sustainable in the long-run if the community does not understand and endorse them, thereby creating a sense of community ownership of the projects and improvements implemented (RTI, End of Pilot Phase Report, 1996, p. 10). The Project's approach emphasized preparing the municipality to collaborate with the community, principally in the area of finance in order to gain popular support for increased service fees, new tax and fee collection programs and updating of the municipal cadastre.

Project staff helped the seven selected municipalities to implement mechanisms that improved internal municipal communications, external communications to citizens, and customer service. The success of these efforts was manifest in three important ways: 1) changed attitudes of municipal officials as to their role as administrator and service provider for citizens (citizen as client mentality); 2) improved service delivery which members of the community mentioned during the evaluation's focus group sessions; and 3) opening of a dialogue with certain sectors of the community, particularly the local business community.

Initial efforts to strengthen citizen participation in decision-making began at the end of the pilot phase and included training for, and meetings with leaders of community associations and support for the creation of joint community/municipal advisory commissions. However, far greater advances were made in all seven selected municipalities in implementing mechanisms that helped to prepare, and open the municipality to collaborate with the community. Developing a methodology to bring the community into the decision making process was not a principal focus of Project activities during the pilot phase.

Under the citizen participation component, the MDP made significant progress in the following areas: 1) internal municipal communications were greatly improved, especially between the council and employees; 2) communications from the municipality to the community were improved and institutionalized within the municipality; 3) attitudes of municipal officials were changed through the adoption of "citizen as client" principles; and 4) open dialogue was established between several municipalities and their local business communities.

During the first stage, the Project sought to make local government aware of the advantages of sharing, and involving citizens in decisions that directly affect them; this allowed the initiation of a participative dialogue with some sectors of the community (the commercial, urban sector mainly).¹ Thus, municipal staff and council members received training in critical areas that will allow the municipality to have more financial and administrative capacity. Mainly the democratic development component expanded the first phase of unilateral communications to citizens. The objective of increased participation in local democratic processes is still pending for the second phase (MDCPP).

The Project did not develop a methodology that involved both partners (municipality-community) from the beginning, in an open dialogue that examined all the challenges of local development, since it was considered important to strengthen the capacity of financial and administrative response of the municipalities, key aspects of the citizen participation process.

F. Conclusions

The major success from the pilot phase that deserves to be disseminated and replicated is the model for financial transparency based on understanding and communication, that is, the union between finances and participation. The pilot phase demonstrated that the reluctance on the part of mayors and council members to share information about the municipality's financial situation was not due primarily to fear of being held accountable. Rather, it was due to their own lack of understanding of the municipality's financial situation and their fear of being seen as ignorant. Sensitive technical assistance by the contractor's staff allowed the municipal employees to put together the municipality's financial information in a meaningful way - transforming the obfuscatory line item accounting required by the *Corte de Cuentas* into a clear rendition of costs and revenues associated with each municipal service. The municipal employees, with the assistance of Project staff, were then able to communicate the revealing information to the elected officials, who in turn were able to communicate it to the public. This simple intervention, and the resulting awareness of the extent to which municipal services lose money, greatly increased the public's willingness to pay for municipal services in the pilot municipalities.

As the Project is closely related to the Mission's overall strategy in general, it is of great value to USAID. The Project represents the Mission's main investment in the crucial area of decentralization and local government strengthening, now that MEA is phasing out. The Mission has correctly determined that democratic strengthening in El Salvador depends heavily on the decentralization and the responsiveness of local government to the citizenry. This means much more than responsiveness to municipal service needs, but rather the ability of local government to engage the citizenry in a joint project of economic and social development to create stakeholder ownership in local government.

¹ Although the majority of municipalities where the Project works have been defined as rural, they have urban zones. The use of the term "urban residents" refers to municipal citizens from this urban core area, who, in focus groups, defined themselves as urban dwellers.

create stakeholder ownership in local government.

The next phase of the Project presents four mayor challenges:

- strengthen the links with the 'owners' of the Project, the Government of El Salvador and COMURES;
- overcome the insularity of the Project, communicating replicable results in financial administration, transparency, client orientation, and communications to other municipalities and providers of technical assistance;
- expand the strategy and methodology of the Project's citizen participation component, which will receive more emphasis in the following phase; and
- plan for the sustainability of Project achievements, selecting or preparing a Salvadoran organization or organization network which will gradually assume the implementation.

G. Recommendations

General

1. Strengthen relations with national counterparts, the Government of El Salvador and COMURES.
2. The Project define jointly with the Government of El Salvador and COMURES, clear selection and graduation criteria.
3. The Project disseminate and replicate its achievements in two ways:
 - (a) use counterpart institutions - COMURES and ISDEM/GTZ - and other providers of technical assistance to spread its results and methods (this route requires better inter-institutional links);
 - (b) use mayors, assemblymen and municipal employees, who have already learned the methods in pilot municipalities to disseminate them to other municipalities through micro regions, CDAs, and department-wide committees of municipal officers - e.g., communication officers, financial officers.
4. The Project should work closely with the Government of El Salvador and COMURES in the design and implementation of a strategy to strengthen the local democratic development component in a sustainable form. Likewise, it should design and implement a strategy to institutionalize Project achievements in the country, together with the Government of El Salvador and COMURES.
5. The Project facilitate participative plans for local strategic development as an efficient

instrument to focus participation, and create a consensus before signing an agreement with a new municipality.

National Policy Reform Component

1. COMURES should be, by choice, the center of reforms and policy dialogue in the municipal system. To this end, USAID/ES should promote COMURES to incorporate in its organizational structure a unit for this purpose. Likewise, it should participate more actively in the design of a strategy and implementation plan for the changes/reforms it promotes.
2. USAID/ES should reserve resources to orient them to the dialogue policies, which are different from those of COMURES, in case any "opportunity window" appears which may be implemented by another institution.
3. COMURES should direct its efforts for reforms/changes during the present election year to:
 - (a) reform the Municipal Code in its non-controversial aspects and promote a modern and transparent municipality in its efforts.
 - (b) establish a dialogue at the highest level with political parties.
4. COMURES should take advantage of the election year to promote and stimulate practices that strengthen local democracy and governance, the purpose of the project. Such is the case of sponsoring local debates with candidates for mayor, so that political platforms are known by the citizens.
5. COMURES should explore the possibility of the Commissioner for Modernization becoming its speaker before the Executive Branch.
6. COMURES should orient its dialogue efforts on administrative decentralization toward a sectoral approach, instead of a global strategy.
7. Once the new Legislative Assembly takes possession in 1997, COMURES should re-establish the dialogue with it, and endeavor to incorporate in the legislative agenda, initiatives to: (a) update local taxes, (b) define distribution criteria and an automatic mechanism for the delivery of budgetary transfers to the municipalities; c) modernization of the tax system; and (d) demonopolization of seats on municipal councils.
8. USAID/ES should advise candidates and elected mayors about the Project's achievements in order to establish an affinity and continuity with the MDCPP from the start.

Municipal Strengthening Component

1. Project staff consolidate in the short run, support in the area of administration and finance in selected municipalities so they may serve as models for other municipalities in the future.

2. That the institutional contractor offer technical assistance for seeking financing for infrastructure projects identified with citizen input.
3. That the institutional contractor work with ISDEM to improve municipal financial data in order to have a reliable national benchmark to measure progress of selected municipalities.

Local Democratic Development Component

1. The institutional contractor should place greater emphasis on the training of municipal officials and community representatives. Both public elected officials and community leaders need training in leadership and public-speaking skills, running effective meetings, conflict management, participatory methodologies, group decision-making and strategic planning. Training should be provided simultaneously with the participation of both partners and at a (micro) regional level to facilitate cross-fertilization of ideas and experiences among municipalities.
2. The institutional contractor should join the community, as well as the municipal government in the modernization of local government and education on citizen participation. The same contractor should not serve as the link between them.
3. The institutional contractor should immediately contact other organizations working in participation to learn about already developed and proven participatory methodologies.
4. The institutional contractor should take advantage of the national capacity in citizen participation in municipal governments. The institutional contract could work with an existing consortium or network of national technical assistance providers in the municipality/community relation. The institutional contractor would then act as "facilitator" to subcontract, monitor, supervise and give active follow-up to the process. Also, it would execute special projects or targets of opportunity.

H. Lessons Learned

1. An external assistance project should pay much ongoing attention to its relation with national counterparts so they can be genuine partners in the project.
2. A foreign institutional contractor should be closely related to its national counterparts so as not to become isolated.
3. When a foreign institutional contractor is hired, it should be very aware about the importance of establishing collaborative links with national entities working in the same areas and maintaining transparency in cost/benefit relation.
4. When talking about improving the efficiency of a municipal service, attention should be given to the elements involved in the service, since increasing user fees for a service is not the

whole solution to the service deficit problem, but rather a tool that added to efficient use of other resources, such as human or technical, help to become efficient in the service offered by the municipality.

5. When the regular (normal) and legal collection of taxes and service rates is authorized by the municipality, the community will react, initiating a communication process from the community to the municipality. This is an opportunity for a healthy exchange of concerns, when there are complaints regarding the work carried out by the municipality.

- 6. When the incentive of project money is used to induce desired behavior for modernization or participation, the behavior may change but not the underlying attitudes. When the incentive is removed, behavior will again reflect these attitudes. A sustainable participatory methodology must work with the whole person, not just his behavior.

7. Although it is important to disseminate achievements in implementing participatory structures such as open town meetings and open council meetings, participatory models based on specific examples of success are not easily replicated without an appropriate methodology.

8. Participation is a gradual process which requires changing long-held beliefs and attitudes of both, municipal officials and members of the community.

INTERIM EVALUATION OF USAID'S MUNICIPAL DEVELOPMENT AND CITIZEN PARTICIPATION PROJECT

I. INTRODUCTION: PURPOSE AND METHODOLOGY OF EVALUATION

The USAID/ES' Municipal Development Project (MDP) was approved with a level of \$15 million for a six-year period on September 30, 1993, with an initial authorization of \$4 million for a pilot phase, which was recently completed. The Mission has authorized a four year extension of the Project to the year 2000, renaming it the Municipal Development and Citizen Participation Project (MDCPP). Reflecting the increased emphasis on citizen participation, Mission coordination of the Project will transfer from the Infrastructure and Regional Development Office (IRD) to the Office of Democratic Initiatives (ODI).

The Project Amendment specifies that the geographic scope of the Project will be scaled up from the 7 municipalities selected for the pilot phase to a total of 15 municipalities during the next two-year phase. Moreover, the expatriate institutional contractor is directed to prepare a local institution to take over management of the Project in order to ensure sustainability of Project benefits. All three components of the original Project will remain in the extended Project. The national policy component, in addition to supporting COMURES' work on decentralization, will also address the need for a more agile legal recognition of local NGOs. The municipal strengthening component will continue to focus on financial management. The Amendment modifies and expands the third component, Local Democratic Development, to guarantee simultaneous Project efforts with both local governments and civil organizations, to improve their ability to work together.

The main purpose of this evaluation is to assist USAID and the Project stakeholders in determining the lessons learned that can be useful for the second phase, which is to cover the next two years. Another purpose is to make specific recommendations about the characteristics of a local organization/foundation that could assume the Project implementation role (p. 17, Authorization of the MDCPP, Action Memorandum). A broader purpose of the evaluation is to see which lessons can be learned from the first phase that could enhance USAID's long term efforts in the area of municipal strengthening and democratic development.

The core evaluation team was fielded by Cambridge Consulting Corporation, based in McLean, Virginia. Dr. Patricia A. Wilson, University of Texas, served as team leader and had primary responsibility for Chapters I and II. Sharon Van Pelt, formerly with ICMA, had primary responsibility for the citizen participation component (Chapter V). Ing. Mario Morán, with Cambridge Consulting Corporation's El Salvador office, had primary responsibility for the municipal strengthening component (Chapter IV). In addition to the core team fielded by Cambridge, Harry Jager from RHUDO/CA, had primary responsibility for the national policy reform component (Chapter III). Joan Goodin, with Management Systems International and member of the National Reconstruction Program evaluation team, had primary responsibility for the study of PROCAP as a point-of-comparison to the MDCPP (Appendix 5).

The evaluation itself embodied a participatory methodology, in keeping with the goals and values of the Project. It consisted of stakeholder workshops designed to promote discussion and consensus-building for the next phase. Three participatory stakeholder workshops were held, two towards the beginning of the five-week evaluation and one in the last week. The first two were held in the pilot departments of Sonsonate and Usulután and the final one in San Salvador. The principal objective of the initial workshops was to create stakeholder ownership of the evaluation by indicating what they thought was most important for the evaluation team to look at in terms of achievements and shortcomings. The objective of the final workshop was to bring closure to the process by inviting the original participants plus additional institutional representatives (especially representatives from national and international organizations providing similar kinds of technical assistance) to highlight the most useful and replicable lessons learned from the pilot phase and make recommendations for the second phase. A description of the methodology for the workshops and their results are available at USAID/ES (ODI). The institutional contractor implemented some of the recommendations coming out of the workshops immediately, in fact, during the course of the five-week evaluation itself.

The evaluation methodology also included focus groups with urban and rural residents, rapid field assessments in all 7 pilot municipalities, and individual interviews with key stakeholders. The results from focus groups are also available at USAID/ES (ODI). Another element of the methodology was attendance at significant Project events, such as a workshop with community leaders, an open council meeting with private sector representatives, and a coordination meeting with the mayor and Project and municipal staff. These events allowed the evaluation team to observe interactions and attitudes among the different Project participants. A final element was to select and study another technical assistance project aimed at municipal strengthening and citizen participation to provide a point-of-comparison with USAID's MDCPP.

There were no previous evaluations to consider since this is the first evaluation of the MDCPP.

II. PROJECT BACKGROUND AND IMPLEMENTATION

A. Origins and Objectives of Project

USAID has played a key role in strengthening democratic governance at the local level since the close of the civil war in El Salvador in 1992. Primarily through the association of mayors (COMURES), USAID has had a direct impact on the national policy dialogue about the role of local government. Through the MEA program, USAID has had a notable impact on opening up municipal government to public participation through *cabildos abiertos*, or open town meetings. The underlying philosophy behind these efforts is that stabilization of democracy in El Salvador depends on the development of vibrant, responsive democratic government at the local level, which is the primary point of contact between the state and the citizenry.

To support the decentralization process and show how local governments could become more responsive to local needs and pursue a national policy dialogue, USAID proposed a pilot project to provide technical assistance to selected municipalities. The Municipal Development Project, later renamed Municipal Development and Citizen Participation Project (MDCPP) was approved in late 1993, with the government of El Salvador (through what is now the Ministry of Foreign Relations) and COMURES as counterparts. Counterpart funds were provided by the government of El Salvador through ISDEM/GTZ for technical assistance to 25 municipalities in administrative modernization, finances, urban planning, and more recently, provision of basic services using citizen participation. In addition COMURES provided counterpart funds for the national policy reform.

The Project, which started to be implemented in 1994, has three major components.

1. National Policy Reform

While significant advances had been made in the legal framework affecting municipalities, USAID noted that important bottlenecks to decentralization still remained, particularly the lack of a property tax and proportional representation on municipal councils. Likewise, a legal framework for decentralization needs to be developed. Thus, the first component continued support to COMURES to advocate reforms to allow more autonomous and participatory municipal governments.

2. Citizen Participation

Successful efforts by COMURES had resulted in greater autonomy for municipalities to increase user fees and administer services. To consolidate these gains, USAID decided it would be useful to link the participation aspect to the strengthening of municipal finance, service delivery, and administration. The goals were financial self-sufficiency and more entrepreneurial municipal administration. Attitudinal change was seen as a major ingredient in both the participation component and the municipal strengthening component.

3. Municipal Strengthening

USAID had identified several shortcomings of the MEA program which it attempted to address with this component: the passive format of *cabildos abiertos*; lack of other participatory mechanisms; lack of two-way communication with citizens; and lack of cooperation and trust between municipal governments on the one hand, and local community organizations and NGOs on the other. A pilot project format with selected municipalities would allow different methods to be explored in improving municipal/community relations.

B. Project Objectives

The Project was designed to support USAID/ES' Strategic Objective No. 3: promoting enduring democratic institutions and practices in El Salvador. The Project supported two intermediate Results: (1) enhance the participation of the Salvadoran populace in the local democratic process and (2) improve the capacity of the municipalities to respond to the needs of their constituents through improved service delivery. The first Result relates to increased stakeholder ownership in local government. The second Result relates to the modernization of local government - i.e., making it less politicized and more efficient, self-sustaining, and client-oriented. (The words that USAID uses to describe the Strategic Objective and specific results have changed, but the focus is the same). It was considered that Project clients during the first phase were local citizens, especially those residing within the limits of the municipal capital, and Project partners were elected officials and staff from local municipal governments.

C. Project Implementation

USAID selected Research Triangle Institute (RTI), a well-known North American consulting firm, to be the institutional technical assistance contractor. While the institutional contractor began work in the summer of 1994, there were subsequent changes to the work plan:

Phase I: Municipal Development Project (MDP)

9/94 - 11/94	Original design.
11/94 - 7/95	39 municipalities and support to CDAs.
7/95 - 12/95	7 selected municipalities.
1/96 - 6/96	Successive monthly extensions, without funds to enter new stages.

Phase II: Municipal Development and Citizen Participation Project (MDCPP)

6/96 - 6/98	Expansion to 15 selected municipalities.
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After efforts and achievements developed in selected municipalities in Usulután and Sonsonate prior to June 1995 (see Chapters IV and V), intensive technical assistance began in September 1995 in the areas of municipal finance, selected services, administrative modernization, and communication and participation. Over the next several months there was significant

improvement in municipal income in all seven municipalities, more customer-oriented attitudes were seen among municipal employees, and new channels of communication from the municipality to the citizens emerged (e.g., radio shows, newsletters, information booths). This evaluation was conducted in May/June of 1996.

D. Stakeholder Views of the Project Efforts in Pilot Municipalities

The predominant view among those familiar with the Project in the seven selected pilot municipalities - e.g., local elected officials, municipal employees, Project staff, certain institutions (e.g., ISDEM, GTZ) - is that the primary benefit of the Project has been to increase municipal revenues in the pilot municipalities. The second most frequently cited benefit is improved municipal image due to greater citizen participation, better 'customer' service, and more efficient management. Urban citizens interviewed in pilot municipalities, expressed their awareness of improvements over the last year in municipal services, more frequent communications from the municipality, and better service at the local government offices, although they were generally unfamiliar with the Project itself.

Two of the Project's counterpart institutions - COMURES and the Ministry of Foreign Relations, never felt ownership of the Project, in spite of periodic meetings of an "ad hoc" supervision committee including COMURES, the Ministry of Foreign Relations, ISDEM, USAID and the institutional contractor. ISDEM's administration professed a satisfactory relation with the Project. At the technical level, good working relations seem to have been established, and technical cooperation meetings are frequently held between COMURES, ISDEM/GTZ, USAID and RTI's technical staff.

In terms of problems with Project efforts in pilot municipalities, elected officials most frequently cited the Project's inability to fulfill promises to obtain MEA funding for agreed-upon capital improvement projects (Selected Services).

Project staff in evaluation workshops most frequently mentioned the following problems during the initial phase: insufficient transmission of a methodology or vision for the Project to consultants, the insularity of the Project with respect to other institutions, the monthly extensions which created job insecurity and made difficult the programming of activities, and finally, insufficient consensus building on the part of USAID with the institutional contractor. In recent months, however, mutual efforts by USAID and the institutional contractor have created a better team effort. Also, the institutional contractor has already started programming training and information sessions for the staff, which would bring in guest speakers from other institutions.

International NGOs involved in municipal development and citizen participation most frequently cited the Project's unwillingness to work with them or to take advantage of lower cost national expertise and experience in the subject matter. One of the main recommendations from the NGOs was for USAID to sponsor an open bidding process for the NGOs to compete for subcontracts in their area of expertise. There is an obvious interest among NGOs to participate in the activities of the Project.

E. Main Contributions

The contractor's main contribution has been where participation and finance come together. The major success from the pilot phase that deserves to be disseminated and replicated is the model for financial transparency based on understanding and communication. The pilot phase demonstrated that the reluctance on the part of mayors and council members to share information about the municipality's financial situation was not due primarily to fear of being held accountable. Rather it was due to their own lack of understanding of the municipality's financial situation and their fear of being seen as ignorant. Sensitive technical assistance by the Project staff allowed the municipal employees to put together the municipality's financial information in a meaningful way - transforming the obfuscatory line item accounting required by the *Corte de Cuentas* into a clear rendition of costs and revenues associated with each municipal service. The municipal employees, with the assistance of Project staff, were then able to communicate the revealing information to the elected officials, who in turn were able to communicate it to the public. This simple intervention, and the resulting awareness of the extent to which municipal services lose money, greatly increased the public's willingness to pay for municipal services in the pilot municipalities.

F. Conclusions

The project staff has worked effectively with mayors, council members, and municipal staff to the point where they can explain municipal finances clearly to the citizens and business owners. The results have been the application of administrative measures, awareness on municipal expenditures, changed user fees level, direct involvement of the municipality in the systematization of normal collections and application of mechanisms to collect back taxes and increase user fees. Municipal revenues in pilot municipalities increased an average of 50% in the first quarter of 1996, due mainly to these efforts (see Chapter V). Mayors and council members in pilot municipalities have had a positive experience with citizen participation in the area of municipal financial transparency. Municipal employees have significantly increased their communication to citizens through newsletters, bulletins, and other media. Citizen focus group interviews indicate that municipal employees as well as many elected officials have adopted more of an attitude of customer service towards the public over the last year. The Project has not, however, successfully linked the local government with the community in the deeper sense of creating shareholder ownership in local government or in collaborative problem solving for local development, especially in rural areas (see Chapter IV).

The overall value of the first phase of the MDP to the country has been mainly in the national policy dialogue for municipal strengthening and decentralization, in which USAID has played a key role in El Salvador. The contribution in the second component, municipal strengthening, has been mainly limited to urban areas (that is, within the municipal capitals) of the seven pilot municipalities. Due to a low level dissemination of the Project's success and the low level of inter-institutional links of the Project's contractor, during the first phase, the MDP did not create a well-defined profile among the panoply of national and international technical assistance providers in municipal strengthening and citizen participation. However, the institutional

contractor has recently taken some propitious steps to focus the subjects of diffusion and inter-institutional links.

The contribution of the third component, participation, has been mainly focused in Result No. 1, which deals with modernization. In the seven pilot municipalities, participation has been successfully used to promote financial transparency, willingness to pay taxes and service fees, and customer services. During the pilot phase, the participation component was not implemented to create stakeholders ownership in local government, although the intention is to focus directly on this aspect in the following phase.

Since the Project is closely related to the Mission's overall strategy, it is of great value to USAID. The Project represents the Mission's main investment in the crucial area of decentralization and local government strengthening, now that MEA is phasing out. The Mission has correctly determined that the democratic strengthening in El Salvador depends heavily on the responsiveness of local government to the citizenry. This means much more than responsiveness to municipal service needs, i.e., the ability of local government to engage the citizenry in a joint project of economic and social development to create stakeholder ownership in local government.

G. Challenges for the Next Phase

The next phase of the Project presents four mayor challenges:

- strengthen the links with the 'owners' of the Project, the Government of El Salvador and COMURES;
- overcome the insularity of the Project, communicating replicable results in financial administration, transparency, client orientation, and communications to other municipalities and providers of technical assistance;
- expand the strategy and methodology of the Project's citizen participation component, which will receive more emphasis in the following phase; and
- plan for sustainability of Project achievements, selecting or preparing a Salvadoran organization or organization network which will gradually assume the implementation.

H. Recommendations

1. Strengthen relations with national counterparts, the Government of El Salvador and COMURES.

- That the Project coordinate better the national agenda for municipal strengthening.

- That the (ad hoc) Coordinating Committee exercise a more definite influence on the Project.
2. Define clear criteria for the selection and for graduation of new municipalities that will be incorporated during the second phase.
- The Project define jointly with the Government of El Salvador and COMURES, clear selection and graduation criteria.
 - The following selection factors be considered as key criteria:
 - diversity of population size,
 - diversity of politics,
 - level of leader participation awareness,
 - degree of interest of the mayor as key criterion,
 - regional role of the municipality as development pole.
 - That opinion surveys on attitudes of officers as well as citizens, be considered in addition to traditional quantifiable indicators.
3. Promote the development of strategic plans for local development.

As the Reconstruction evaluation pointed out, the Government of El Salvador wants to support integrated development planning at a local level, but has no mechanism to carry it out. The MDCPP could consider broadening its municipal diagnostic studies into participatory local development plans. That way the agenda would be set by the local community and the municipal government together. USAID could then decide whether to support any of these priorities with Project assistance. Formal *convenios* between the Project and the municipality, which appear to be a source of bitterness for all concerned as currently handled, would be a result of the process of building consensus for local development plans and not a pre-requisite for the Project to enter the municipality.

4. Replicate achievements

In order to disseminate applicable results in financial administration, transparency, client orientation, and communications among other municipalities, the institutional contractor should follow two routes during the second phase.

- (a) use counterpart institutions - COMURES and ISDEM/GTZ - and other providers of technical assistance to disseminate its results and methods (this route requires better inter-institutional links);
- (b) use mayors, assemblymen and municipal employees who have already learned the methods in pilot municipalities to disseminate them to other municipalities through

micro regions, CDAs, and department-wide committees of municipal officers - e.g., communication officers, financial officers.

5. Maintain a fund for targets of opportunity.

Instead of limiting the Project's focus to relatively few municipalities where visible consequences of what is typically a slow process would be small, the Project should also identify participatory projects that are ready to start except for some external technical or financial assistance.

6. Facilitate sustainability.

- The Project should work closely with the Government of El Salvador and COMURES in the design and implementation of a strategy to strengthen the local democratic development component in a sustainable form. Likewise, it should design and implement a strategy to institutionalize Project achievements in the country, together with the Government of El Salvador and COMURES.
- USAID should consider the hiring of NGOs as private enterprises (see Appendix 2, C3, on FUNDEMUNI), and the division of work with public entities (ISDEM, SRN).

7. Use EOPS in a collaborative manner.

- Performance indicators oriented to results are definitely an improvement over input measuring to evaluate a project. But they could become counterproductive if the necessary adjustments are not managed in a sensible manner during the Project life. If changes are made unilaterally by USAID and imposed on the institutional contractor, it is possible that they would create resentment. USAID and the institutional contractor should revise the EOPS jointly as an answer to changing conditions. Thus, the EOPS may achieve their designed purpose and, in fact, help to create team spirit between USAID and the contractor.

8. Train Project staff.

- Any organism, including 'experts', needs ongoing training in the progress of their field. The institutional contractor should provide staff training on new participatory methods and strategic planning.

9. Collect baseline data required to measure progress.

- The institutional contractor should conduct periodic public opinion surveys in each municipality where the Project is working to provide a reliable measure of progress. Any survey must be rigorously structured to fairly represent the municipal population by age, gender, income, and place of residence (urban/rural). The survey instrument should be pilot tested, then administered to the first seven municipalities as early in the second

phase as possible, and then to the eight new ones as soon as they are all on board. The survey should be re-administered in two years as the second phase is ending and before any second phase evaluation study.

- The contractor should work with ISDEM to maintain municipal financial data at the national level to be used as a benchmark to evaluate changes in pilot municipalities.

I. Lessons Learned

1. An external assistance project should pay much ongoing attention to its relation with national counterparts so they can be real partners of the project.
2. A foreign institutional contractor should be closely related to its national counterparts so as not to be isolated.
3. When a foreign institutional contractor is hired, it should be very aware of the importance of establishing collaborative links with national entities working in the same field and maintaining the transparency of the costs/benefits relation.

III. NATIONAL POLICY REFORM COMPONENT

A. Synopsis of the Local Government of El Salvador¹

1. Political Administrative Division

El Salvador is divided into 14 departments and 262 municipalities in an extension of 20,935 Km² and a population of 5,517 million inhabitants. El Salvador with a total of 262 municipalities has the highest average "municipal density" in the region: 79.9 Km² per municipality and 21,057 inhabitants per municipality, with extreme municipalities with a total population of 542 persons (Nombre de Jesús) and of 422,000 inhabitants in San Salvador. The metropolitan area of greater San Salvador has approximately 40% of the total population.

The minimum population required to constitute a new municipality is 10,000 inhabitants.

(a) Local Government System

There are two formally established government levels in El Salvador: National and Local. The Department is an extension of the central government acting in the territory, with a Governor at the head. He does not play a relevant role in the governmental administration.

The local government system in force is that of the Mayor (strong)-Council. The latter is integrally formed by council members of the winning political party in the municipal elections. In other words, minority parties are not represented in the Council.

The Mayor, the principal municipal administrative and political figure, nominates the Mayor's aides in cantons and villages as a form of expanding the municipality's presence throughout the municipal territory.

Only those candidates proposed by national political parties may opt for elective positions.

The municipalities, encouraged by the Corporation of Municipalities of the Republic of El Salvador, COMURES, have organized themselves in Mayor's Departmental Committees, a type of forum where the Mayors formulate their programmatic concerns which include department-level necessities and concerns. They still have no input in the investment plans of the National Budget.

One of the most extensive forms of citizen participation in the local decision making process is the open town meeting (*cabildo abierto*). The Municipal Code requires the celebration of four

¹ This section has been updated from the chapter corresponding to El Salvador's document "The Municipal Reform in the Legislative Current of the National Congresses of the Central American Countries: Policy Suggestions" prepared by Harry Jager, RHUDO/CA, for the II Reunion of the Central American Network for Municipal Strengthening and Decentralization, FEMICA, Antigua Guatemala, 1995.

cabildos per year. During 1994, 750 *cabildos* were held, with an average participation of 180 persons per *cabildo*. This citizen participation instrument has been associated during the last five to six year with the channeling of resources donated for infrastructure investment. The current question is whether the dynamics of the *cabildo* will continue if the resources disappear. The Code also establishes the popular referendum whose result is binding for the Council. The procedure is unknown in practice.

(b) Municipal Finance Structure

Local tax in El Salvador is practically non existent (0.2%). Annual regular income collection for the year 1993 barely reached US\$3.72 per person, as compared to an average of US\$10.79 for the Central American Isthmus.

Local income tax collection barely contributed 1.4% of the total collection. Of the total municipal income, San Salvador absorbs 61.9%. The concentration is even higher if only metropolitan areas are considered.

Due to the precariousness of information on municipal finances in El Salvador, one can barely approximate the composition of income. The main sources of income are concentrated in the following concepts: taxes on economic activities, public service tariffs, followed well behind by a highway tax and taxes on lotteries and liquors. Of the total municipal income between 50 and 60% are external donations.

The transfers, established by constitutional mandate (Economic and Social Development Fund) were an insignificant amount that reached the equivalent of US\$2.5 million yearly for the 262 municipalities. In the 1996 National Budget this amount was increased to C125.0 million (\$14.0 million).

EL SALVADOR: MUNICIPAL FINANCIAL INDICATORS

Local Tax Pressure 0.2%

Local Income Tax Participation in general 1.4%

Regular Income per person (US\$) 3.72

Total Income per capita (US\$) 5.95

San Salvador's Regular Income Portion of the total 61.9%

(c) Municipal Authorities in Services

The Municipal Code, promulgated in 1986, establishes ample authority for local governments. Besides the traditional municipal services (markets, cemeteries, solid waste, slaughter house, parks, etc.), it establishes others in the promotion of education, health and housing among others. In reality, municipalities do not extend services beyond the traditional.

The exception to the traditional is the pilot plan of the delegation to seven municipalities in the department of Usulután for provision of potable water service. The extension of this experience will depend on its results.

(d) Support Entities to the Municipal Administration

There are three main entities that support the municipal administration.

The Salvadoran Institute for Municipal Development (ISDEM) assists the municipalities with technical assistance, training and credit programs. Its effectiveness has been placed in doubt by the municipalities themselves.

The Secretariat for National Reconstruction (SRN), formerly CONARA, has channeled donor resources since 1987 to finance investment projects defined by the communities through the consultation processes of *cabildos abiertos* (MEA). SRN is a temporary institution that will disappear or be converted during the next months since the Government of El Salvador has announced that execution of the Chapultepec agreements is close to being completed.

Finally, there is COMURES, which is the entity that groups together and represents municipal interests, its main function is promoting/defending municipal autonomy.

Formally, the linking institution with the Executive Power is the Ministry of the Interior; actually, however, it does not function as such. The SRN due to its links with investment programs in the municipalities has, in fact, assumed the linking function. However, the Commissioner for Modernization emerges as a potential institution to assume a role in the decentralization, although at the moment privatization is dominating the agenda.

(e) Main Obstacles Indicated by the Salvadoran Municipal System

The main obstacles that have been identified in different forums and studies are:

In **politics**, the lack of representation of minority parties in Municipal Councils and the lack of will shown to date on the part of decision-making institutions to pursue decentralization.

In the **fiscal**, a) practical non-inexistence of a local fiscal base and, b) of that existing, its obsolescence.

In the **financial**, a) dependency on donated resources up to 1995, and b) insignificant participation of national resources directed toward local governments, also up to 1995.

In the **institutional**, a) nonexistence of an official institution to link, at the highest political level, national and local government, b) excessive dependency in support services for the local administration, c) constant friction between entities linked to the municipalities, d) limited participation of municipalities in the formulation of policies in official organisms linked to local government and, e) extreme atomization of municipalities.

B. Preview of Efforts to Strengthen Municipal Autonomy and Decentralization

1. The Last Four Years

After the restoration of democracy in El Salvador (1984) three legal reforms occurred: a) elevating to constitutional rank the municipal autonomy in its economic, technical and administrative aspects (Article 203), b) promulgating the Municipal Code (1986), important law which establishes the general principles of autonomous action, and c) promulgating the constitutive law of ISDEM (1987), as a technical support entity to local government.

The first two, were more a declaration of principles in the fundamental aspects of municipal autonomy.

With the promulgation of the General Tax Law in 1991 (tributary code) which establishes the rules for municipal councils to approve in autonomous manner their own regimes of rates and levies, significant progress was made in the modernization of the juridical municipal system of El Salvador in recognizing municipal autonomy in establishing their own rates and levies for services provided by local governments.

It should be noted that from January of 1992 - when the law became effective - to date, close to 90% of the services rates have been updated in the municipalities of the country.

2. Recent Situation (Synthesis)

In 1993, through governmental decree, the Commission for Decentralization and Municipal Development (CDM) was created, composed of several public entities (Ministry of Planning, ISDEM, SRN and COMURES), and with the mandate of preparing a decentralization plan and coordinating its implementation.

The results of this effort are unknown.

After this initiative, the SRN assumed, on the part of the Executive Branch, the task of formulating a plan for local economic and social development. This plan, more ambitious than the initiative of 1993, states, in its preliminary version, a new concept and role for local government in the development of communities. Its pillars are the Mayors' Departmental

Councils, local private initiative participation and local financing (property tax). Nothing has yet resulted from this preliminary plan.

On the institutional plane, the creation of a Corporation for Social Development (CDS) and an Executive Council for Local Development (CDEL) is being promoted. Both initiatives will be discussed later.

On the legislative plane, four important reforms for the municipalities have been approved: 1) 79 local taxes; 2) exemption for council members; 3) Liquor Sales Tax, and 4) increase in the allocation for Social Economic Fund and transfers.

CHART 3-1: SEQUENCE OF MUNICIPAL LEGISLATION APPROVED

YEAR	LEGISLATION
1985	Constitution of the Republic
1986	Municipal Code
1987	ISDEM
1991	General Tax Law
1995-1996	79 Tax Rate Laws (local taxes).
1996	Exemption for Members of Municipal Councils
1996	Liquor Sales Tax
1996	- Increase in the Social Economic Development Fund - Incorporation of the transfer to the municipalities in the National Budget

Source: Legislative Assembly; RTI.

C. The Project and the Plans and Perspectives of Related National Entities

1. Corporation of Municipalities of the Republic of El Salvador, COMURES

Founded in 1941, not until the start of the 90's did it really offer an agenda and begin to function. In 1991, by decision of the Mayors themselves, the Directing Council represents all political parties with seats in the municipalities. For this simple, but transcendent reason, the organization enjoys credibility and legitimacy before its members, the executive branch and Salvadoran society in general.

Recently formed Municipal Associations in the Central American region have been inspired by this representative scheme including the Association of Municipalities in Nicaragua, AMUNIC,

and the Association of Municipalities of Panamá, AMUPA.

The positioning of COMURES in the settings in which it should labor - legislative and executive - is evident: joint activities are carried out, they participate actively in the Corporation's activities and, very specially, they have supported some legislative initiatives promoted by COMURES. The relation with the State is structured.

The most clear and overwhelming manifestation of the work of the municipal guild is the recent increase of the fees of their 262 members. The collections for 1996 are expected to be seven times that of last year (going from C350.0 thousand in 1995 to C2.5 million in 1996). The response of its members to the fee increase, reinforces COMURES.

The Corporation is preparing itself for the transition resulting from the March 1997 electoral process and the arrival of new authorities. COMURES receives C3.5 million from the Government of El Salvador as Project counterpart, which should be assigned to lobbying tasks.

2. Salvadoran Institute for Municipal Development, ISDEM

ISDEM participates in the MDCPP Committee. At the same time it receives the yearly sum of C5.5 million as counterpart resources from the Government of El Salvador for the Project, which are basically directed to technical assistance to 25 municipalities.

The novelty of ISDEM at this moment is that it is planning a consultation with the mayors (clients) for the purpose of "modernizing" the institution and thus determining "real demand" in the municipalities to "reformulate the strategy of technical assistance and training of the institution, as to respond to the demand." This action responds in great measure to the statement that the National Associations of Municipalities of Central America and FEMICA made to the Institutes of Municipal Development of the region, to the effect that they should modernize themselves, that services should respond to demand and decentralization processes and that they promote the offer of assistance and training services.

To such effects, ISDEM has programmed a series of activities that culminate at the end of 1996 with the approval of its new strategy.

Considering the traditional nature and behavior of Institutes (jealous of their assistance monopoly, reluctant to change, consult and compete, etc.), this initiative is presented as an opportunity so COMURES can make its points of views known and valid.

3. Mayors' Departmental Committees, CDAs

The CDAs are relatively new. They were established in 1994 with the purpose of administering a land tax which was never approved and to decide jointly on departmental investments from resources coming from the SRN.

The degree of success that these institutions have depends on the leadership and the reasons motivating their association. It is a generalized opinion that the creation of CDAs was somewhat forced, in addition to the fact that the motives for their origination have disappeared.

It is anticipated that, save for one or two exceptions, the CDAs will lower the intensity of their actions as the elections get close and that their reactivation will be delayed until March 1997.

4. National Secretariat for Reconstruction, SRN

The SRN participates in the Project providing resources for investment in infrastructure work and services (C50.0 million for selected projects) to municipalities participating in the Project. The SRN (and its predecessor, CONARA) has been directly involved with municipal development and decentralization efforts in the country (*cabildos abiertos*, participant in the Municipal Development Committee, etc.).

At present, it promotes the creation of the Corporation for Social Development (CDS), integrating programs/institutions such as SRN, FIS, and others. It is anticipated that Mayors will participate in its directing Council.

This new institutional scheme will also be supported by the Executive Council for Local Development (CEDL), which will consist of SRN-FIS (or CDS when eventually approved), ISDEM, COMURES, two foundations, and a representative of the Executive Branch. This new institution will assume the coordination work of development and decentralization and formulate local social analyses, the groundwork for the formulation of local strategic plans and definition of investments.

5. What Should Be the Role of the MDCPP in this New Institutional Scheme?

Within the institutional scheme described, it is appropriate to ask what initiatives should the Project support? How should it do it?

The initiatives to be supported by the MDCPP which are now in the agenda and those which may appear in the future should be the object of dialogue with COMURES. What seems clear is that the MDCPP should not participate through a contractor - RTI, for example - in the formation of the CDS or CEDL or in the formulation a "new" strategy for ISDEM, nor should it support the CDAs (the CDAs will be strong when local governments are strong).

To support these initiatives, although all are related with municipal development and decentralization and all are without doubt very interesting, would distract the attention of the MDCPP from what it has to do from the institutional point of view: assist COMURES so that it can develop the abilities to defend and promote its interests.

To such effect, the MDCPP has two instruments: (1) participating more actively in the direction of counterpart resources, ensuring that they are effectively assigned to the reform agenda, and

(2) programming jointly with COMURES additional resources to stimulate changes (via Cooperative Agreement or another method).

The point that needs to be emphasized is that COMURES should develop the abilities to negotiate its agenda; the MDCPP should support it so that once the Project is completed this capacity continues.

The exception to the former is the Legislative Assembly. Because of its political nature and independence from other state powers, it requires MDCPP support in the analysis and discussion of reforms independent of COMURES. Another way must be sought.

D. The Legislative Production during the Last Two Years

It is in legislation output where, in the final analysis, the policymakers will demonstrate the will to change or the lack of it.

1. Brief Summary in the Rest of Central America

Excluding El Salvador, the legislative production in Central America during the last three years (1993-1995) has been one of the most important that have occurred in the subject matter in several decades. In fact, during these three years, 12 important reforms, including constitutional reforms, have been approved.

Five of them were reforms of political character - Costa Rica, Nicaragua, Panamá, Honduras, and Guatemala - related to the direct election of Mayors. Three of them have a fiscal seal - Costa Rica, Nicaragua and Guatemala - modernizing and transferring to the municipalities the tax on real estate property. These fiscal reforms will quintuple total municipal income in some countries in a three-year period.

Finally, four other reforms touch on financial aspects, as in the case of Guatemala, which increased its constitutional contribution from the national budget to the municipalities from 8 to 10 percent of the state's regular income.

All these reforms and others which are in the legislative current lead to the political and financial strengthening of local governments and thus contribute to taking democracy to the citizen's daily occupation.

2. The Legislative Production in El Salvador during the Last Two Years

The reforms during the present legislature have been important in El Salvador. In fact, in two years (1994-1996), four groups of laws have been promulgated in the Legislative Assembly:²

² For a comparison with the rest of the countries in the Central American region, see *"The Municipal Reform in the Legislative Current of the National Congresses of the Central American Countries: Policy*

CHART 3-2: LEGISLATIVE ASSEMBLY 1994-1996

REFORM	DESCRIPTION	OUTREACH
79 Local Taxes	Updates the tax base and broadens activities subject to tax.	Advances the strengthening and financial autonomy of the municipalities.
Exemption for Mayors ³	Establishes a process and an institution (Supreme Court of Justice) to determine if there is reason for cause.	Protects Council members from arbitrary accusations.
Liquor Sales Tax	Increases tariffs and transfers licensing authorization to the municipalities.	Strengthens local finances and transfers new function.
Increase of National Budget Resource Transfers to Municipalities	Increases the Economic Development Fund and incorporates the entry for transfers between the municipalities.	Recognizes municipal execution and advances in the re-distribution of public resources.

3. Outreach of the Reforms

The reforms approved by the legislative plenary during the last two years have significance in several aspects, among the principal are the following.

a. Results of COMURES Lobbying

For many years, COMURES has been promoting reforms to the juridicial system which regulates the municipal work. We can affirm that this has produced results during the last two years. The activities of dialogue and lobbying - the majority financed with resources from the MDCPP - have borne fruit.

Suggestions", H. Jager, July 1995.

³ The judicial outreach of this legislation is questioned; including it is alleged that it may conflict with the constitution. However, it is interesting to note that this disposition was approved due in great measure to the efforts of COMURES.

**CHART 3-3: SOME DIALOGUE ACTIVITIES CARRIED OUT
1994-1996**

ACTIVITY	PURPOSE
Observation trip to Guatemala.	Lawmakers and officers from the Ministry of Justice became familiar with the "hearings" of Guatemala's Mayors.
Observation trip to Colombia.	Lawmakers became familiar with the decentralization process, with emphasis on fiscal matters.
Decentralization Workshop, Costa del Sol.	Lawmakers became familiar with concepts and extent of political, fiscal, and administrative decentralization.
I Meeting of Lawmakers from Central America and Panama Parliaments.	Lawmakers (4) interchanged processes and experiences on the subject of municipal legislation in legislative activities. (FEMICA organized).
II Meeting of the Central American Network for Decentralization and Strengthening of Local Governments, Guatemala.	Lawmakers and the Executive Power (4) to inform members of the network about advances in legislative matters.
Attendance at the Legislative Assembly's Interior Committee.	Attend for an 8-month period the sessions of the Committee to promote fiscal reform.
Meeting with Council Representatives, San Salvador.	Lawmakers were exposed to forms of representation in other countries of Latin America.

It is our opinion that two of the main reforms that have been identified for many years in El Salvador (representation in councils and property taxes) have not been approved and will not be approved in the next two years for the following reasons: (1) in fiscal matter the priority is national, not local; (2) the tax burden has increased substantially; (3) nobody is ready to assume the political cost of a new tax; and, (4) the representation in councils may lead to the loss of political control of local government on the part of the governing party.

b. Strengthening Fiscal Autonomy

El Salvador, along with Guatemala, has the lowest tax burden in Latin America (0.2 percent).

There were three ways to raise it: (1) create new taxes which, as we saw, was discarded; (2) improve collections; and, (3) update tax rates. El Salvador chose the latter two.⁴

The present legislature approved 79 local taxes as compared to 4 during the last legislature. This action will be reflected in the 1996 budgetary liquidation with an increase in the collection of fiscal income of as much as to 100 percent. This fact alone justifies the lobbying work with the legislators. A clear task to be undertaken again in 1997 with the new Congress, will be continuing with the updating of local taxes.

As positive as this effort is, the local tax system will have to be submitted at some point to a rigorous adjustment and modernization that will establish ad valorem rather than fixed tariffs, as at present, as well as fairness in taxation justice and avoiding the constant requalification to the Legislative Assembly, and constantly submitting the tax base for revision.

c. Financial Strengthening

Without doubt the increase from C25.0 million to C125.0 million in the Social Economic Development Fund has been an important step to strengthen local finances, as is the fact that C325.0 million have been budgeted (1996) for transfer to the municipalities through a methodology similar to MEA. The significance of the transfer increase is a recognition of the MEA program supported by USAID/ES and also a recognition of the municipal administration.

For this transfer, there still remains the definition of the criteria for distribution, the security of its budgeting and delivery, all aspects difficult to accomplish during this election year.

4. ANDA and the Delegation of Potable Water Supply Systems

Although it does not represent a legislative reform, it is important to mention that the National Water Agency (ANDA) has incorporated the delegation of responsibility for potable water supply systems to the municipalities as part of its strategy to modernize the water and sewage sector. This has been possible through the dialogue that USAID has maintained with ANDA for more than two years, having as its spearhead the Tetralogía project (delegation to seven participating municipalities joined in an intermunicipal company with the participation of users and ANDA).

E. What Has the MDCPP Learned from the Policy Dialogue?

The following are lessons that the MDCPP should consider for the future.

- Since COMURES has taken possession, it should be helped, as we mentioned, to conduct

⁴ Note that El Salvador undertook an important tax reform in the year 1990 which resulted in passing from an 8 percent tax (slightly more than seven per cent excluding coffee taxes) in that year to a projected one close to 12 percent for 1996, therefore fiscal - and political - authorities would not likely have opted for the creation of a new tax.

the dialogue on reform and change. To this effect, the Corporation should have a small analysis unit that will allow it to build the analytical base needed for effective dialogue.

- Instead of stimulating the formulation of a global and comprehensive strategy for decentralization and strengthening of local governments (CDM style and similar initiatives arising now), the MDCPP should orient the sectorial dialogue, as ANDA did with the water. Sectorial dialogue has proven to be more effective. COMURES should conduct it and be prepared for it.
- In relation to noncontroversial reforms, the dialogue with the Legislative Assembly is fluid and effective as demonstrated with the approval of the group of four municipal reforms. It is necessary to take advantage of this positive environment in the Legislative Assembly during the remaining year of the present legislature and achieve other necessary reforms (see details in the next section).
- As mentioned, the policy dialogue with the Executive Branch resided to a large degree in the SRN. Now it is necessary to explore the possibilities with the Commissioner for Modernization.
- Finally, dialogue with political parties has been rare. Given the importance that government policies - and reform - have with leadership of the political parties, it is necessary to involve them in order to sensitize them on the subject and start including the theme in their programmatic platforms.⁵ The election process is a propitious moment.

F. What Opportunities for Policy Dialogue Does an Election Year Offer?

The opportunities offered by an election year for a project such as the MDCPP are varied, not costly, and potentially of great impact.

1. Advance in Municipal Reform

In the meeting held at the Federation of Central American Municipalities, FEMICA, with an important group of legislators of El Salvador whose purpose was to establish a minimal consensus agenda that will allow some advance in municipal reform, three conclusions were drawn with respect to the possibilities of approving new legislation:⁶ (1) legislation that increases national tax load will not be approved in the short term; (2) legislation favoring

⁵ Although the process of formulating policies and decisions is different in Costa Rica, the National Union of Local Governments and FEMICA initiated a dialogue with the political parties during the electoral campaign (1993). The results have been extraordinary with respect to changes and reforms.

⁶ The meeting held out in February 1996 in Antigua, Guatemala was attended by 14 Legislators; among them were the *Jefes de Bancada* of all the political parties, members of the Interior Commission, and members of the Board of Directors.

proportional representation in Municipal Councils has no viability in the short term; and, (3) legislation to modernize local government administration would be considered by the political forces represented in the Legislative Assembly. in other words, the possibility exists for revising legislation that is not politically controversial.

Which would be material for legislative action and the basis to affirm that it has a propitious environment for approval?

The legal body to reform/modernize is the **Municipal Code (1986)**. The necessary basis for reform has three pillars.

- a. The first is that it is consonant with the Government of El Salvador's concept of the state as a subsidiary and facilitator.
- b. Second, it judicially complements activities that the MDCPP carries out with 17 municipalities tending to modernize their administration.
- c. Finally, as indicated, there is political disposition on the part of the Legislative Assembly to consider the revision.⁷

⁷ If consideration of the revision/modernization of the Code is possible, it should be done soon to avoid being caught in the intensity of the electoral campaign.

CHART 3-4: MUNICIPAL CODE AREAS TO REFORM (ILLUSTRATIVE)

AREA	OUTREACH
Financing	Widen the variety of alternative financing possibilities for public works and services, such as: (a) work concessions, (b) bond emissions, (c) constitution of trust foundations for pre-investment, (d) make it possible for transfers to serve as guarantees for long term operations, etc.
Public Service Management	Make possible and expedite new forms of administration for public services, such as: (a) management contracts, (b) mixed capital enterprises and joint municipal capital under the commercial code, etc.
Homogenization of National Legislation	In fiscal matters (procedures, sanctions to evaders, etc.); incentives for investments through tax exemptions and reductions, etc.
Harmonizing with other National Legislation	Adjust with recently promulgated legislation such as: (a) transport, (b) electoral code, (c) national registry of natural persons, among others.
Collection Administration	Make possible and/or expedite new and efficient modalities for collecting local taxes through: (a) commercial banks, (b) credit cards, (c) contracts with enterprises, etc.
Citizen Participation/ Transparency/ Governability	Incorporate and/or regulate the following figures or procedures: (a) popular consultation, (b) initiatives, (c) budgetary information and dissemination, (d) public meetings of municipal councils, (e) civil society participation in Commissions, among the most important.

Source: Synthesis from COMURES; FEMICA/Legislators Meeting

2. Promotion and Diffusion of Local Agenda

This activity consists of encouraging - at least in the municipalities included in the MDCPP - the debate between candidates for Mayor so that the population understands, analyzes, and discusses government plans and has a better basis for casting its vote. This activity will contribute to raising the agenda of local matters during the election and to understanding, discussion, and awareness of local problems and solutions so that the population exercises its right to demand accountability, etc.

It is beneficial - but not necessary - to accomplish this via civil organizations such as service clubs and NGOs in the municipal environment in order to contribute to the dialogue between local government and civil organizations.

3. The Political Parties and the Municipal Agenda/Decentralization

As we have indicated, in the process of formulating policies and decision making, the political parties in El Salvador, as in no other country of the Central American region, are fundamental. Information/discussion activities must be carried out as a mechanism to be incorporated into the theme of municipal development and decentralization in platforms with a view toward the elections and mid-term actions. Here it is specifically suggested that, given the confluence with the Chilean socio-economic process, the manner in which they have incorporated the municipal agenda in that country should be shared. COMURES or the regional municipal organization, FEMICA, could organize this event.

4. Inform the Candidates for Mayor on the Outreach of the MDCPP

In addition to the training sessions that the MDCPP has planned to carry out and with the purpose of having the elected Mayor support the technical assistance received by the municipality, USAID/ES should inform the candidates for Mayor in detail about the outreach of the Project and, in particular, about the technical assistance component.

These information sessions guarantee the continuity of local activities and will keep the institutional relation firm.

G. Conclusions

1. COMURES should be the center of reforms and political dialogue in the municipal system. To this end, USAID/ES should encourage COMURES to incorporate in its organizational structure the necessary unit to effect this. Likewise, it should participate more actively in the design of the strategy and implementation plan for the changes/reforms it promotes.

2. USAID/ES should reserve resources to orient them to the dialogue on policies different from those of COMURES, in case any "window of opportunity" appears that may be implemented by an other institution.

3. COMURES should direct its efforts for reforms/changes during the present election year: (1) to reform the Municipal Code in its noncontroversial aspects and promote a modern and transparent municipality and, (2) to establish a dialogue at the highest level with political parties.

4. COMURES should take advantage of the election year to promote and stimulate practices that strengthen local democracy and governability, the purpose of the Project. The

sponsoring of local debates with candidates for mayor so that platforms are known by the citizens is one such practice.

5. COMURES should explore the possibility that the Commissioner for Modernization becomes its interlocutor with the Executive Branch.

6. COMURES should focus its dialogue efforts on the subject of administrative decentralization via a sectorial approach instead of a national strategy.

7. Once the new Legislative Assembly takes office in 1997, COMURES should re-establish the dialogue, in addition to updating tax rates, in other substantive areas, such as: (1) definition of the distribution criteria and automatic mechanism for the delivery of budgetary transfers to local governments; (2) policy reform; and (3) modernization of the tax system.

8. USAID/ES should advise candidates and elected Mayors about the MDCPP's achievements in order to establish an affinity and continuity with the MDCPP from the start.

IV. MUNICIPAL STRENGTHENING COMPONENT

This component was developed to support the area of municipal finance and administration, specifically in the seven selected municipalities, in order to improve and increase their abilities to assume new responsibilities resulting from the country's decentralization policy. The support was provided directly through a technical assistance team contracted for the Project, developing the work through advisors and consultants, in teams in the two departments of Usulután and Sonsonate where the seven selected municipalities are located. The main effort was to achieve an increase in revenues in the seven municipalities through cost analysis of the services provided; improvement of collection, payment, and recovery of back taxes; increase in the tax base; physical and functional reorganization of tasks in Mayors' Offices; changes in service rates; municipal taxes; and computerization of consolidated systems.

The sustainability achievements depends on the municipalities' assuming, as their own, each of the activities carried out with Project staff. It also depends on each of the parties' involved seeing the Project as a support mechanism for success in the sustainability of their work and not as executor of changes.

Sustainability is possible within selected municipalities since the mayors, council members, and officers in general have taken the very important step of making internal changes within the municipalities, specifically in relation to attitudes. Attitudinal changes are vitally important because the goals achieved will not be reversed and new things will be carried out in selected municipalities after the support phase. But it should not be forgotten that the human resource capacity is very important for the achievement of changes and the sustainability of the process.

A. Comparison with Municipal Trends

The findings in the financial component of the Project allow one to see that the differences between the income development during the last year of work, and especially that observed in the first three months of work, are significantly higher than the trends shown in the selected municipalities in prior years.

For example, the increase in income is close to 20 percent between the years 1994 and 1995; for the selected municipalities, the data shows that difference in income for the first quarter of the years 1995 and 1996 is 45 percent (see charts and graphics). It should be remembered that intense work in selected municipalities started at the end of 1995; therefore, significant income is not observed until the beginning of 1996 and projections show a 32 percent increase in 1996 in relation to 1995.

In reference to the recovery of back payments, the data shows a 15 percent average recovery of back payments for selected municipalities (see Chart 4-3). There is no comparative data for the rest of the country.

CHART 4-1

COMPARATIVE CHART OF TAXABLE AND NON-TAXABLE INCOME
FOR THE YEARS 1994 AND 1995

MUNICIPALITIES	NON-TAXABLE INCOME				TAXABLE INCOME				TOTALS			
	1994	1995	ABSOLUTE VARIATION	PERCENTAGE	1994	1995	ABSOLUTE VARIATION	PERCENTAGE	1994	1995	ABSOLUTE VARIATION	PERCENTAGE
Usulután	3,225,128	4,063,388	838,260	26%	1,183,230	1,755,027	571,797	48%	4,408,358	5,818,415	1,410,057	32%
Puerto El Triunfo	268,363	331,936	63,573	24%	23,697	53,744	30,047	127%	292,060	385,680	93,620	32%
Ereguayquín	179,956	265,356	85,400	47%	18,250	17,446	(804)	-4%	198,206	282,802	84,596	43%
Mercedes Umaña	93,553	113,919	20,366	22%	6,115	10,521	4,406	72%	99,668	124,440	24,772	25%
San Julián	279,645	284,053	4,408	2%	185,671	129,431	(56,240)	-30%	465,316	413,484	(51,832)	-11%
Sonsonate	4,650,310	5,229,139	578,829	12%	1,609,194	2,024,619	215,425	12%	6,459,504	7,253,758	794,254	12%
Acajutla	1,025,624	1,121,920	96,296	9%	1,686,557	2,154,654	468,097	28%	2,712,181	3,276,574	564,393	21%
TOTALS	9,722,579	11,409,711	1,687,132	17%	4,912,714	6,145,442	1,232,728	25%	14,635,293	17,555,153	2,919,860	20%

Prepared for RTI on June 15, 1996

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CHART 4-2
COMPARATIVE CHART FOR TAXABLE AND NON-TAXABLE INCOME FOR THE
FIRST QUARTER OF 1995 AND 1996 IN SEVEN SELECTED MUNICIPALITIES

MUNICIPALITIES	NON-TAXABLE INCOME				TAXABLE INCOME				TOTALS			
	1995	1996	ABSOLUTE VARIATION	PERCENTAGE	1995	1996	ABSOLUTE VARIATION	PERCENTAGE	1995	1996	ABSOLUTE VARIATION	PERCENTAGE
Usulután	1,088,446	1,117,246	28,800	3%	330,184	650,640	320,456	97%	1,418,630	1,767,886	349,256	25%
Puerto El Triunfo	105,279	126,807	21,528	20%	10,672	67,267	56,595	530%	115,951	194,074	78,123	67%
Ereguayquín *	33,208	50,559	17,351	52%	3,363	2,992	(371)	-11%	36,571	53,551	16,980	46%
Mercedes Umaña	29,459	58,619	29,160	99%	2,195	3,362	1,167	53%	31,654	61,981	30,327	96%
San Julián	88,973	98,282	9,309	10%	26,165	28,545	2,380	9%	115,138	126,827	11,689	10%
Sonsonate	1,262,342	2,253,259	990,917	78%	303,276	579,094	275,818	91%	1,565,618	2,832,353	1,266,735	81%
Acajutla	289,388	306,174	16,786	6%	410,105	460,485	50,380	12%	699,493	766,659	67,166	10%
TOTALS	2,897,095	4,010,946	1,113,851	38%	1,085,960	1,792,385	706,425	65%	3,983,055	5,803,331	1,820,276	46%

* Used January and February data, because
March '96 information was not available.

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CHART No.4-3

COMPARATIVE CHART OF BACK TAXES
IN SEVEN SELECTED MUNICIPALITIES

MUNICIPALITIES	INITIAL BACK TAXES		RECOVERY OF BACK TAXES		
	INITIAL DATE	AMOUNT	FINAL DATE	AMOUNT	PERCENTAGE
USULUTAN	30-Nov-95	2,377,421 1/	30-Apr-96	509,967	21%
P. EL TRIUNFO	30-Nov-95	225,109 2/	30-Apr-96	95,515	42%
EREGUAYQUIN	30-Nov-95	41,783	30-Apr-96	13,287	32%
M. UMAÑA	30-Nov-95	88,957	30-Apr-96	40,059	45%
SAN JULIAN	01-Mar-96	163,558	13-Jun-96	14,441	9%
SONSONATE	31-Dec-95	4,326,332	31-Mar-96	340,937	8%
ACAJUTLA	31-Dec-95	1,341,029	30-Apr-96	240,095	18%
TOTALS		8,564,189		1,254,901	15%

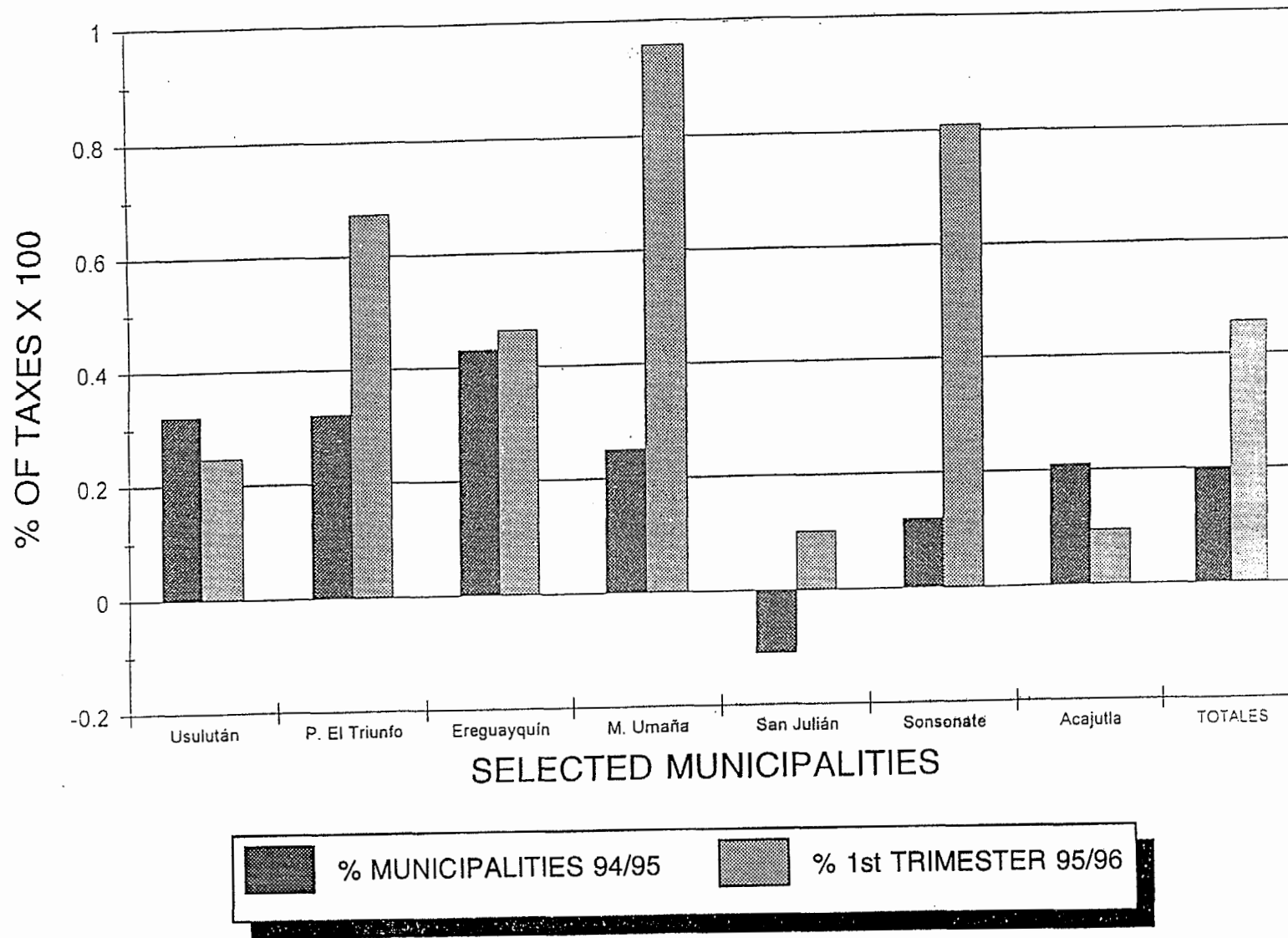
1/ Includes \$929,460 from ANDA.

2/ Calculation until March 31, 1996, taking into account an adjustment of \$101,055 to the initial back tax calculation.

Prepared for RTI June 15, 1996

TAXES

GRAPHIC 4-1



B. Municipal Finance

Within the Project, the Strengthening Program for Selected Municipalities in the Departments of Sonsonate and Usulután was implemented with technical assistance from RTI, in coordination with ISDEM/GTZ. The focus of the selected municipalities' strengthening program had as its objective to increase and maximize municipal income generated locally and to optimize its use.

In order to determine specific activities and goals, it was agreed that a cooperative agreement for technical assistance services would be signed with each selected municipality with clear and measurable (some) objectives, services which would be provided during the execution period; and the assistance which would be provided by specialized consultants and advisors that would visit each municipality. The municipality would provide counterpart support in the execution of plans and recommendations.

The financial component made considerable progress of interest to the Project and selected municipalities. Clear results were observed in areas worked on with the municipalities. The main areas developed include: draft law for taxation and recovery of delinquent taxes, broadening of the taxpayer base, financial analysis for services, tax collection and rates, and administrative organization. It also included improvement of municipal services. Some municipalities, like Ereguayquín, decided to add strengthening of the Water Commission. Usulután added improvement of the municipal tax administration. The case of the municipality of Sonsonate is special, since the component considered additional aspects of different complexity, such as: updating service rates, structuring tax and financial organisms, computerization, and financial systems.

The following stages and applications were observed during the technical assistance for this component.

CHART 4-4: MUNICIPAL STRENGTHENING PROCESS

STAGES	APPLICATIONS
1. Information on the status of municipal services.	Determination of cost, income, and deficits in the delivery of municipal services.
2. Knowledge and understanding of municipal finances (municipal council, employees).	Analysis of municipal finances.
3. Explanation and dialogue with the community (citizen's statements).	Generation and publishing of understandable information for the community (accountability).
4. Plan for measures to reduce deficits and improve municipal services.	<ul style="list-style-type: none"> - Systematization of normal collections and application of mechanisms to reduce back payments. - Service rate adjustments. - Modernization of current account registries. - Application of administrative measures. - Cadastral inventory. - Modernization of cadastre and invoicing. - Systematization of cadastre procedures. - Application of interests and fines. - Qualification and re-qualification of enterprises. - Recovery campaigns for back taxes. - Client service.

1. Collection and Invoicing System

The staff of the Project worked jointly with the officers of the seven Mayor's offices and prepared a work guideline of the steps utilized in the collection, payment, and recovery of delinquent accounts process. ISDEM also provided technical input and supported the overall effort. The time used for the preparation of the guideline could have been less, but the participation that we generated resulted in a delay with the objective of achieving a participative component. In the case of the municipality of Ereguayquín, tax collection and rate adjustment activities were not included in the agreement; but they were carried out and there were practical results.

The improvements made in this area were mainly observed in the methodology designed for payment by users and for collection and recovery of delinquent accounts by administrative or extrajudicial means for the users in the Mayor's office. The staff, along with the officials, prepared a guide for the collection of taxes and rates, including the recoupment of delinquent accounts.

The reluctance to change on the part of some municipal officers made difficult, but did not stop, the improvement process in this area. On the other hand, the lack of modern resources for the

mechanization of the systems has delayed the implementation of a similar system to that of Usulután.

The form of work in this area is important in the advancement of development models for the Mayor's office since it can be initiated with the financial part related to municipal income. Although the participatory method with officers and other agents delayed the process, its achievements are more than substantial for the MDCPP goals.

2. Cost Service Studies

The methodology utilized by Project staff in the study started with an analysis of direct and indirect costs for each service provided using real data from the municipality for the year 1995 in order to obtain total costs. Project staff prepared documents for each selected municipality showing the income for each municipal service and deducting from this the total cost of each service; this resulted in a deficit or surplus for each service. The data showed that service costs were higher than income, and the information was presented to municipal authorities and employees in order to disclose the numbers resulting from the cost service study.

The Project's staff managed to accomplish the cost study for the selected municipalities, and the Mayors' offices learned the real situation of the municipal services provided to the community. This allowed the municipality to learn the reasons for the financial deficits in the Mayors' offices for the services provided to the community. The financial results for the year 1995 were estimated jointly with municipal employees, then the financial needs were presented, also jointly, to municipal council members, who were also informed of the utilization of income from taxes and regular transfers. The Mayors' offices established work commissions with council members and municipal employees in order to analyze alternative solutions for the municipality's financial problems.

The reactions were astonishment and surprise when the mayors, council members, and employees realized that other income was financing services such as garbage collection, public lighting, potable water, etc. Tax and regular transfer income was financing the municipal services provided to the community. All municipalities had deficits in the provision of services. In general, the Mayors' offices were not adding indirect costs such as the Mayor's office, public relations, treasury, etc. to the direct cost of the services. Also, the Mayors' offices' accounting systems are weak and inadequate to handle the data and help in decision making. The methodology utilized to establish costs in the different Mayors' offices was not consistent and there is no complete written explanation of the mechanisms utilized for the cost study.

The cost study was useful to ascertain the real situation of the Mayors' offices' finances. It permitted knowing and calculating indirect costs and adding them to the direct costs of the services to have a clear vision of the total cost of services provided. It was also possible to make decisions in order to change income, recoveries, and rates and implement measures that would reduce the administrative load in order to minimize costs.

3. Increasing Rates and Fees

The changes in service rates came as a measure resulting from the municipal service cost study; traditionally, the municipality established credit service rates considering the tax base in the cadastre. However, the proposed rate increase would have been one of the measures taken in order to improve income and try to achieve, in an easier manner, the point of equilibrium for the services provided to the community.

Likewise, taxes were introduced as a fundamental element of the municipality since they must be utilized for municipal investments; therefore, if the services already show a deficit, the taxes at their present collection level are not being utilized for the tasks for which they were intended. Tax increases and changes are a process carried out at the National Assembly level; therefore, they have big political and bureaucratic ingredients and, in general, the procedure that Mayors' offices have followed for updating proposed increases and changes to the national legislature is difficult.

The decision to adjust municipal service rates was taken in order to improve service income and have a better financial balance for the services that the towns provide their beneficiaries. The documents have been prepared in the seven municipalities; the authorization has been granted; but, the new rates have not been implemented in the municipalities that did not consider it convenient. But we understand that others, like Sonsonate, Acajutla and San Julián, will apply them soon.

Prior to the authorization and publishing of the new service rates, the community and users were advised of the new rates by written media such as pamphlets, rural newspaper, etc., and also through sectorial meetings and municipal cabildos. However, this action has not been uniform or implemented systematically in the municipalities due to foreseen changes in rates and taxes.

With respect to changes to be implemented in rates, the reactions of the community have varied from very positive to some which generate discussion and debate; but finally this is what the Project seeks that this discussion can be heard in order to arrive at agreement for improving municipal services.

The reluctance to change, although a normal phenomenon, has been present in the formulation of rates at the level of council members and officers from the town halls, but above all in the definition and expansion of the information that should have been transmitted to different levels of the community and also to organized groups.

In relation to taxes, the authorization process and the time it takes at the Legislative Assembly pose serious problems for the municipalities because they delay the change process and block the expediting of income increases for the municipal administration.

The change in municipal service rates was the result of an understanding about the financial situation of the municipalities through the cost service study, and the rate changes would have

helped with the financial levelling of the services and with better income for the municipalities. Services having inadequate rates have been subsidized through tax income or by regular government transfers; also, some services could have been subsidizing other services indirectly.

The information provided to the community in relation to rate and tax changes did not have the same level of participation and communication in all municipalities. Thus, the implementation of changes and the application of rates and taxes, which the municipalities had revised and endorsed, was made more difficult because it hadn't been communicated in a two-way manner.

4. Recovery of Delinquent Accounts

According to the law, the recovery of delinquent accounts receivable on the part of the municipalities should follow an administrative collection procedure and, in the absence of a positive answer, start a judicial collection. The recovery of tax delinquent accounts is within the collection procedures for taxes and service rates. Collection procedures existed, but were not applied with the decision shown in the pilot stage of the Project. Few municipalities tried the first steps in the recovery of delinquent accounts. It is known that in municipalities like San Julián, more than 50 percent of the users had delinquent accounts as of February 1996. After establishing the delinquency amount for each municipality learning the recovery procedure, the municipalities went on with a campaign so that the contributors and users would pay.

The greatest effort was in the campaign prepared and executed in selected municipalities; the recovery levels reached through technical assistance were relevant in areas of promotion, communication, and motivation, both internal and outside the Mayor's office, and the convenience achieved with attitudinal changes of officers, council member, and mayors about the necessity of taking aggressive actions for financial recovery of the municipality's delinquent accounts. The following results were obtained during the period of the campaign for recovery of tax delinquent accounts in selected municipalities (see Chart 4-3 and Graphic 4-1).

In all cases, there were good recovery percentages, and it is estimated that total delinquency was also reduced during the campaign. Also, the Mayors' offices now have the procedures and necessary training to initiate, in a clear and ordered manner, the normal collection and recovery of delinquent rates and taxes from the taxpayers of the municipality. The Municipal Tax Law in force authorizes the municipalities to charge interest and fines on delinquent accounts with a grace period. In some municipalities, like Puerto El Triunfo, interest and fines are charged, but their calculation is deficient, straining the relation between users and the Mayor's office.

In spite of the success in the recovery of delinquent accounts in selected municipalities, there are still sectors in the municipalities that are unaware of their obligation to pay taxes, there is not much interest in paying when the system for collecting fines and additional interest is not applied and is not prompt for delinquent users.

The recovery and reduction of delinquent accounts was difficult when there were bad work mechanisms which complicated the collection or when there was no policy decision to recover the income for services that had already been provided to the community.

The custom of not charging interest and fines has been an obstacle in improving the income of municipalities because if they were applied, the user would be clear about his duty to pay taxes and he would not wait to get in touch with the Mayor's office and clarify the status of his account with the municipality.

5. Municipal Cadastre: Increasing the Tax Base

As part of efficient tax administration, information and cadastral system are key elements for increasing the income of municipal fund as well as improving the attentiveness to the public and generating information on accounts for decision making. The work was done in order to update persons, property, or activities subject to tax as well as the information necessary for the work of calculating taxes. The preliminary activities of Project staff with employees from the Mayors' offices for the cadastre survey were: delimiting zones, suburbs, and residential districts; posting the services provided; completing the nomenclature; preparing contributors' lists; elaborating supervision strategies; and preparing spaces within the Mayors' offices. In the cases of the municipalities of San Julián and Acajutla, the preliminary review of the cadastre was completed before the updated survey was made jointly with personnel from ISDEM.

The Project's staff made an analysis of the status of cadastre tax systems, receiving current data and procedures utilized to revise and update the tax base. Then an action plan was formulated to improve and modernize the cadastre and the invoicing. Training was provided to employees from the municipal offices on the tax cadastre process. Terms of reference were prepared for hiring companies for the cadastral survey and the introduction of data in the mechanized system in ISDEM/GTZ's cadastre module. The contracted companies would do their work in the municipalities of Ereguayquín, Puerto El Triunfo, Mercedes Umaña, San Julián, and Acajutla. The companies responsible for the cadastral survey were selected and the collection of data was initiated in municipalities selected for this activity. The employees from the Mayors' offices also reviewed the files, making observations and suggestions for changes in the work of the contracted companies.

The work carried out by the municipalities and Project staff resulted in the expansion of the tax base data; the final revision and data input phase is still pending in some municipalities.

The mistakes found in the data collection cards submitted by the company that conducted the census require a new review and, therefore, there will be a delay in updating and broadening the tax base in the municipalities.

Lack of financial resources has not allowed the municipalities to carry out promptly the changes suggested by Project staff to make the infrastructure of the municipal offices adequate in the places where cadastre, current accounts, and collection activities are conducted.

It has been proven that cadastre work must be conducted with processes and qualified personnel in a dynamic form that allows the continual updating of data entry and processing systems. The contracting of private companies helped to unify the quality and criteria of the cadastre work.

The computerization of the data collected is pending processing and integrating into the ISDEM/GTZ cadastre module in order to have a system that is integrated into the other phases of accounts and regular collection of the municipalities.

C. Selected Services

With the Project, the opportunity arose to support the services provided by the municipalities to the community and the impact that it caused in the community was useful in taking actions to encourage activities in other components of the Project. Likewise, it was thought that the outreach obtained firm support to strengthening finance and participation components would contribute to integrating these components with the objective and improving service within the community. Technical assistance would have a role of manager in the Selected Service process.

Advances were made in relation to: service cost studies; participation and pre-diagnosis of Selected Services; polls, topographic surveys, and other technical studies; identification and obtaining of sites for sanitary fills (Sonsonate and Usulután); and the Mayors' commitment to support organization changes and identify sites for the garbage collection system.

Some inconsistencies were observed in the requirements stated in agreements signed by the municipalities and Project staff. On the other hand, the reports from people interviewed indicate that there were some difficulties in the selection of some of the Selected Services by the municipalities. Some municipalities have not given sufficient follow-up to Selected Service projects; likewise, they have left many of their work responsibilities to Project staff.

CHART 4-5: SELECTED SERVICES - RESOURCE NEEDS

MUNICIPALITY	SELECTED SERVICE	ESTIMATED AMOUNT	COMMENTS
1. Sonsonate	Optimization of collection of solid waste.	C 3,200,000	The files have been delivered to SRN. Budget and site drawings pending in Mayor's offices as well as budget and design of containers area.
2. Acajutla	Public lighting for urban area.	600,000	The Mayor's office does not yet have the feasibility study from the distributing company CLES. Pre-diagnostic was being prepared 4 months ago.
3. San Julián	Substitution of distribution network for potable water.	2,300,000	The file has been at the National Reconstruction Secretariat (SRN) since May/96.
4. Usulután	Optimization of the collection of solid waste.	3,600,000	The technical file is being reviewed at SRN.
5. Ereguayquín	Introduction of potable water to cantons.	1,500,000	CARE is preparing the technical file.
6. Puerto El Triunfo	Collection of solid waste.	250,000	The file is in its final review at SRN.
7. Mercedes Umaña	Stone-paving of urban streets.	971,750	The file is in process of financing at SRN. SRN made observation about the project's inapplicability.
TOTAL		C12,421,750	

The level of responsibility of citizen participation in Selected Service projects was not seen as having the intensity it should in supporting Selected Service project. If the Selected Service project is born out of an urgent and heartfelt need of the interested community, the community takes charge of supporting it and bringing it to term. It is here that citizen participation should

yield achievements in an integral manner in the selection, processing, and reaching a Selected Service project that can be supported from its start by municipal inhabitants. Also, the information about the process carried out and the outreach degree it has at the moment the municipality makes its report to the community should be wholly supported by the requesting community that should be clear about the role each one has in order to achieve the Selected Service project.

In the selection process for Selected Service projects, the participation required so that the community feels part of the project must be high so the community can take charge of supporting it and following it up together with the municipality in order to clearly and easily achieve the requested service.

The municipal authorities have not played the appropriate role in following up the achievement of a Selected Service project, and this translates into inadequate support provided by Project staff since constant follow up to achieve the goals of the Selected Service project is not part of their role. The increase in service rates is causing some pressures in municipalities where Selected Service projects are fundamental to justify the new rates. The amounts requested may delay, somewhat, their approval when they are above the limits within the authorization levels established by the institutions.

D. Special Case: Water in Ereguayquín

The water project in Ereguayquín has a history of a lot of community work, done in a special way by CARE, SRN, the municipality, and above all, the inhabitants of the community. The project was initiated through a citizens' general assembly to create a Water Commission in the community. This was followed by advice on leadership by CARE to the members of the commission formed solely of citizens from the municipality. The members of the commission provided the logistic support for workers, equipment, and materials utilized in the project; they also took charge of its promotion in the community to obtain participation of the inhabitants in the construction work. The community was in charge of excavations with human resources, and the work started in January 1994. There was an economic contribution of some C1,200.00 per user during its execution, and the project started up after its completion in April 1995, with 156 beneficiaries. At present, there are almost 260 users of the water system and it can still accept others with a contribution of C1,500.00 per user for the installation and connection of the system.

CARE provided support to prepare the by-laws and negotiate the written agreement between the parties of the project. The whole process was confirmed for its formation and consolidation in a general assembly in meeting.

To conclude the Project's infrastructure phase, a joint Water Commission was formed with the municipal authorities and three members of the community, which still function to date. The Project's staff supported the information phase, the motivation to pay for the service, and the mechanized system of payments and control for the water distributed in the municipality. The

water system is profitable and, at present, provides 5 percent of its income to the municipality for its patron saint feast. The surplus is kept in a banking account in a strategic manner for future maintenance work and expansion of the water system.

Water service is provided to the community 24 hours a day. Its success is due to house-by-house work to convince the users of the benefits of the system and the necessity of punctual payment for the service. The work with the community was not easy; it required the inordinate efforts of a small group of their members to get the support during the construction stage of the project as well as the loyalty of the rest of the citizens so that the project would not fail, thus wasting all previous efforts.

The mechanization of the control systems for water distribution speeds up the communication between the Work Committee and the users, allowing a better processing of the information in order to present the actual situation of the water system, its advances, its problems, and perhaps more speedy solutions.

The Ereguayquín water service is presented as an optional model for Selected Services in the municipalities, since it favorably incorporates the work done with and by the municipality's community in a very natural way. That is, the experiences lived by the protagonists should be capitalized on by all those interested in the continued development of Selected Service projects in municipalities.

The active participation of the Project's executing agent, CARE, and USAID along with the experiences of the initial service commission, the present committee formed by the Mayor's office, the community, and the technical assistance providers should all be taken into account in order to consolidate the service towards the community under the responsibility of the municipality, as the support and control entity for the water system. An inter-institutional support plan should also be prepared in a joint manner for projects having a participation model that has already been consolidated, and their advances should be continually evaluated by all those involved in the service to be installed.

E. Tetralogía Water Project

The Tetralogía water project is a pilot project which includes four pumping plants supplying water in a joint manner to six municipalities: Berlín, Alegría, Santiago de María, Tecapán, California, and Mercedes Umaña. The project is considered within the decentralization framework of the water sector as a pilot project sponsored by ANDA. To support the project, Tetralogía established an Inter-municipal Consulting Committee to assist ANDA in its decentralization program, which is composed of the mayors and a council member from the municipalities involved in Tetralogía.

The Committee, supported by Project staff, has carried out activities to make physical improvements in the existing water system, improve communications and support the administration with ANDA, serve as communication element between the mayors and other

institutions, advance the design phase of an inter-municipal company for the project, and support the project with human resources.

F. Modernization of the Municipal Administration

One of the main achievements observed in the modernization of the municipalities is the reorganization of the activities carried out by them. In some cases, a complete reorganization has taken place, because with many elements of organizational work missing, many activities had to be carried in order to develop a complete organizational structure. The reorganization started with a process of change in attitude on the part of officers, achieved in part by teamwork stimulated through work meetings with council members, employees, and mayors. To find a new way of doing the work required a motivational change in a large group of Mayors' offices, and it was achieved in good measure with Project staff and the different hierarchical levels of the Mayors' offices.

The work carried out by the Project was done with the support of institutions such as ISDEM, COMURES, and Project staff; they became involved in the process that had already started in a generalized manner in selected municipalities. The changes most observed are related to the relocation of service personnel within the Mayors' offices, creation of new positions, hiring of adequate personnel for positions, relocation of offices by affinity of functions, etc., in order to reorganize the work internally and proceed with modernization. The latter helped with the flow of information, customer service, municipal image, user orientation, etc.

The case of Acajutla is an example, with the support of technical assistance and ISDEM, where very clear results were observed in the reorganization of locating human resources and grouping departments by affinity of functions and services supplied to users. It was also supported with changes in the infrastructure of the offices, which are very comfortable and facilitate the identification of the place where the user needs to conduct his transactions and receive better services, including orientation for his needs when arriving at the Mayor's office. In this case, there is a small information office in the principal entrance where the visitor or user is oriented and later taken to the place where the employees will help him.

The reluctance to change at all levels of the municipal offices is part of a normal phenomenon which occurs when changes are made or proposed in the operation of municipal work.

Some of the support systems the municipalities had before the Project's assistance had not been revised for a long time, as is the case of service rates, and it was difficult to understand how novel changes can resolve problems which the Mayors' offices had to endure for many years.

The attitude change fostered by the implementation of the Project in selected municipalities has been the backbone of the advances achieved in the municipal organization, a fundamental step in the reorganization of the Mayors' offices.

Recommendation:

1. The Project's staff should implement a guide or manual to structure the organizational levels of the municipal offices on the basis of their present achievements, with a projected growth that covers the expectations of the municipalities 5 to 10 years into the future, as a minimum.

G. Conclusions, Recommendations, and Lessons Learned**Conclusions:**

1. The financial component has important achievements for the municipalities' income since it has increased in a general manner in each of them and the tools they now possess have been utilized with the functioning of current staff and the incorporation of new resources in big municipalities like Sonsonate.

2. The accounting system of the municipalities has weaknesses and restrictions in serving as an administrative support system and for decision making on the part of municipal officers and authorities.

Recommendations:

1. The Project's staff should consolidate in the short-run, the support work in the area of finance of selected municipalities so they can serve as support models for other municipalities to be integrated to municipal and community development in the future.

2. The contractor, together with COMURES, should refine and expedite changes to the accounting system of the municipalities through SAFIMU (Integrated Municipal Administration System).

3. The Project's staff, selected municipalities, and communities should participate in more simple investment projects in terms of their complexity and financial amounts. That will expedite the process in involved institutions and the community should participate more actively in the achievement of Selected Service projects.

4. The institutional contractor should work with ISDEM to improve municipal financial data in order to have a reliable national benchmark to measure the progress of selected municipalities.

Lessons Learned:

1. The mayors, council members, and employees were not aware or only vaguely aware of the cost of the services provided to the community, but even so, they were surprised when they knew the real cost of the services. Also, upon knowing the total cost of each service,

they adjusted public service rates as a half-way measure for the deficit problem.

2. Knowledge of the financial situation of the municipalities makes the mayors and council members wish to communicate with the community in order to explain to their members the needs and problems that services with deficits generate for the municipality, with the delinquent accounts they have, or that service rates are outdated and do not cover the full cost of service to the community.

V. LOCAL DEMOCRATIC DEVELOPMENT COMPONENT

A. Overview

1. Approach

The Project's overall approach to citizen participation in the pilot phase was to complement and bolster improvements made under the Project in the areas of municipal finance, administration, and project development so that the municipalities would have a better capacity to communicate and work with the people. The underlying principle was that changes in these areas would not be sustainable in the long run if the community did not understand and endorse them, creating community ownership of the projects and improvements implemented (RTI, End of Pilot Phase Report, 1996, p. 10).

2. Achievements

The Project developed and implemented mechanisms to improve internal municipal communications, external communications and information provided to citizens, and customer service. The capacity of local government to communicate and work with the people was improved in the seven selected municipalities. Direct work with the community was not a focus of the Project during the pilot phase. The activities plan developed by the institutional contractor for the Project's second phase places increased emphasis on motivating and directing the active participation of the community in decision making (RTI, Proposal for Extension, 1996, pp. 12-14). (See Chart 5-1.)

CHART 5-1: IMPROVEMENTS IN CUSTOMER SERVICE, COMMUNICATIONS AND PARTICIPATION

Area of Improvement	Sonsonate	Acajutla	San Julián	Usulután	Puerto El Triunfo	Mercedes Umaña	Ereguayquín
Customer Service	<ul style="list-style-type: none"> -information booth & suggestion box installed. -citizen satisfaction questionnaire regularly used - service information pamphlets produced. 	<ul style="list-style-type: none"> -information booth & suggestion box installed. -citizen satisfaction questionnaire regularly used - service information pamphlets produced. -physical setup changed. 	<ul style="list-style-type: none"> -information booth & suggestion box installed. -citizen satisfaction questionnaire regularly used - service information pamphlets produced. -physical setup changed. 	<ul style="list-style-type: none"> -information booth & suggestion box installed. -citizen satisfaction questionnaire regularly used - service information pamphlets produced. 	<ul style="list-style-type: none"> -suggestion box installed. -citizen satisfaction questionnaire regularly used. - service information pamphlets produced. 	<ul style="list-style-type: none"> -suggestion box installed. -citizen satisfaction questionnaire regularly used 	<ul style="list-style-type: none"> -information booth & suggestion box installed. -citizen satisfaction questionnaire regularly used - service information pamphlets produced. - physical setup changed.
Internal Communications	<ul style="list-style-type: none"> -bi-weekly meetings with council & employees -internal newsletter prepared & distributed. 	<ul style="list-style-type: none"> -regular meetings with council & employees -functioning of finance, communications & selected service committees. 	<ul style="list-style-type: none"> - functioning of finance, communications/p articipation & selected service committees 	<ul style="list-style-type: none"> -regular meetings with council & employees 	<ul style="list-style-type: none"> -monthly meetings with council & employees -internal communications committee functioning. 	<ul style="list-style-type: none"> -internal communications committee organized. 	<ul style="list-style-type: none"> -internal communications committee organized.
External Communications	<ul style="list-style-type: none"> -municipal bulletin board installed. -external newsletter and magazine produced. - bi-weekly radio program instituted. 	<ul style="list-style-type: none"> -municipal bulletin board installed. -external newsletter produced. 	<ul style="list-style-type: none"> -municipal bulletin board installed -external newsletter produced. -municipal closed circuit radio installed. 	<ul style="list-style-type: none"> -municipal bulletin board installed. -external newsletter produced. -weekly radio program instituted. 	<ul style="list-style-type: none"> -municipal bulletin board installed. -external newsletter produced. -periodic radio announcements. 	<ul style="list-style-type: none"> -municipal bulletin board installed. -external newsletter produced. 	<ul style="list-style-type: none"> -municipal bulletin board installed. -external newsletter produced.
Participation	<ul style="list-style-type: none"> - training & meetings with ADESCOs. - changes to cabildo abierto format instituted. 	<ul style="list-style-type: none"> - training and meetings with ADESCOs. - sectoral meetings held. 	<ul style="list-style-type: none"> - training and meetings with ADESCOs. - sectoral meetings held. 	<ul style="list-style-type: none"> - sectoral meetings held. 	<ul style="list-style-type: none"> - training & meetings with ADESCOs. - sectoral meetings held. 	<ul style="list-style-type: none"> - sectoral meetings held. 	<ul style="list-style-type: none"> - advisory commission established (water service).

3. Measuring Progress

Advances made to reach the Project's indicators of success in the area of participation (as described in the evaluation team's scope of work) are discussed in Appendix 2. As designed during the pilot phase, greater emphasis was placed on one-way communication from the municipality to the community to better inform citizens and prepare the municipality for participation. As mentioned previously, the Project's general approach for citizen participation during the pilot phase focussed on complementing and bolstering improvements made in the areas of municipal finances, administration, and project development. The Project only began to work with the community at the end of the pilot phase, with a view toward the second phase.

4. Points of Comparison

In identifying points of comparison, the evaluation team met with various national and international organizations to discuss successes achieved through their projects in working with municipalities and community groups (see Appendix 3). In talking with groups working in the general area of participation, it was evident that the pilot phase of the Project was successful in designing and implementing improved communication methodologies, both internal to the municipality and external from the municipality to the community. Also, in the area of customer service, significant improvements were made in the efficiency and the manner in which the selected municipalities provide services. While other organizations are working in the general area of municipal administration, their projects do not include components specifically focused on means of communication or customer service. These are areas where the MDCPP showed good progress and was highly valued by the municipalities it assisted and the communities it served.

During the pilot phase, when the emphasis was on preparing local governments to communicate and work with the people, the Project did not develop methodologies to support and promote two-way communication and citizen input in local decision making. The institutional contractor's proposal for extension noted that greater emphasis would be placed on defining and replicating participation models in the second phase of the project (RTI, Proposal for Extension, 1996, p. 6).

The Project made considerable progress in areas that other organizations are not addressing, such as communication methods and improved customer service. However, it is evident that some national and international organizations that are working in citizen participation have had great experience and a measure of success in implementing participatory methodologies; these may serve as examples for the second phase of the MDCPP.

5. Sustainability and Dissemination of Achievements

The evaluation team viewed the principal achievements during the pilot phase as sustainable primarily due to the change in attitude and behavior of employees and municipal leaders. These changes were manifest in improved internal and external communications and service delivery, particularly for services provided within the Mayor's office. Also, the Project's emphasis on assigning specific municipal personnel to be responsible for new activities in communications and citizen participation further ensured sustainability; initiatives were institutionalized as part of the regular operation of each municipality.

B. Communication/Information

1. Internal Communication/Information

The Project's focus during the pilot phase was on improving communications from the municipality to the community as a necessary first step to institutionalize two-way communications between the municipality and the community (RTI, End of Pilot Phase Report, April, 1996, p. 10). The idea was that the municipality needed to be prepared to participate with citizens.

As part of this preparation, the institutional contractor held initial workshops in each of the seven pilot municipalities in order to review key areas of improvement identified in the technical assistance agreements signed by the respective municipalities and the institutional contractor. Both council members and employees participated in the workshops in order to fully understand basic issues to be dealt with under the Project. The workshops also served as a forum for discussion on how the council and employees could work together to achieve objectives, implement changes, and ensure coordination with the Mayor's office.

Stemming from these initial discussions, internal working committees were formed in the municipalities of Sonsonate, Acajutla, and San Julián in the areas of finance, citizen participation/communications, and selected services with the participation of both council members and employees. Three to four-month work plans were developed by each committee. In Usulután, Puerto El Triunfo, Mercedes Umaña, and Ereguayquín, communication/citizen participation committees were formed consisting of all employees working in the area of communications and community outreach. Council members were invited to participate so they would stay informed and provide guidance. Additionally, in the municipalities of Usulután, Sonsonate, and Puerto el Triunfo, biweekly or monthly meetings are held between the council and key employees in order to ensure coordination and keep the council briefed on progress made or obstacles encountered.

Municipal employees interviewed noted that improvements in internal communications through internal working committees helped to improve relations and coordination between departments as well as between employees and the council. In both departmental stakeholder meetings, there was a consensus among employees from various municipalities that the most important accomplishment under the Project was the involvement of both council members and employees in administrative changes and improved communications resulting from regular meetings between employees and council members. These improvements were reflected in better and more efficient services provided to citizens, particularly in services provided within city hall. However, municipal employees as well as Project staff also noted the resistance faced in trying to implement changes, particularly from council members, who were regularly absent at meetings of council employees and work committees.

Improvements in internal communications and coordination greatly improved many services within the municipal offices. It was critical that both municipal staff and council members participate in internal working committees and regular meetings to promote a sense of common purpose and approach.

The resistance to change by council members must be overcome in order to implement changes that can be institutionalized and sustained over the long run.

2. External Communication/Information

During the pilot phase, the Project's focus on communications from the municipality to the community was based on the assumption that citizen involvement in municipal affairs occurs along a spectrum of participation - first, one way communications are established, then two-way communications that include citizen feedback regarding services, and finally, direct citizen participation in decision-making is effected (RTI, Proposal for Extension, April 22, 1996, p. 10). The Project provided assistance to the municipalities in communicating their current and planned activities to the community.

The institutional contractor suggested the use of different mechanisms to reach out to the community, including municipal information bulletins, rural newspapers, flyers and posters, press releases, and radio announcements. Each municipality used a mix of these mechanisms in order to communicate desired messages to citizens (refer to Chart 5-1 above).

All selected municipalities were encouraged to hire or assign a staff person to be in charge of municipal communications in an effort to institutionalize the activities that were initiated under the project. In six of the seven selected municipalities, a full-time staff person was assigned to overseeing the municipality's communication activities. The Departmental Communication Committee formed in Sonsonate included the participation of municipal staff members assigned to communication activities in the three selected municipalities as well as representatives from

other municipalities within the Department. Training was provided in preparing and producing the communications mechanisms described above, understanding participation mechanisms included in the municipal code and methods of planning and implementing a *cabildo abierto*, and carrying out other types of meetings with various sectors of the community. This type of training was provided in selected municipalities in the Department of Usulután through internal work committees focusing on communication/participation.

The introduction of communication as a specific area of attention and the assignment of a specific person to oversee these efforts often required organizational changes within the municipalities. In Usulután, the municipality organized communication as a division of its Department of Social Promotion/Community Development; and in Sonsonate the existing Communication Department was completely reorganized to include Communications and Public Relations as divisions of a newly formed Department of Social Promotion. In Acajutla, two new departments were formed, Community Development and Communications. In the municipalities of San Julián, Puerto El Triunfo, Ereguayquín, and Mercedes Umaña, a person was assigned to handle the two areas.

A number of participants in focus groups mentioned improvements in services provided by their respective municipalities and better information provided by the municipalities. During the discussions, residents of areas outside urban centers of each municipality did not mention having access to information or having noticed improvements in the services provided by the Mayor's office. However, in the majority of cases, residents of urban centers did mention some aspect of their municipality's external communication efforts, which might point to a concentration of said efforts that did not reach the residents of more marginal areas.

From discussions with municipal employees, council members, and focus groups, it is evident that substantial progress was made in communicating to the community changes made and improvement efforts implemented by the municipalities. However, these efforts did not reach areas outside the municipalities' urban centers.

Although it may have been desirable to begin working with the municipalities from the beginning, given the objectives of the project to strengthen municipalities and the current development level of local governments, this focus was maintained longer than it should have been. Efforts to include the community in project activities were only started recently, in preparation for the second phase.

3. Customer Service - Citizen as Client

As further preparation for participation, the institutional contractor held "Human Relations and Excellence in Customer Service" seminars in all seven selected municipalities to explain ways to improve customer service and public relations through adoption of the idea of the citizen as

client. In larger municipalities, Project staff assisted department heads in developing plans to train their own staff in customer service. Both council members and municipal employees who attended the seminars noted their usefulness and importance in changing attitudes and creating an environment of professionalism within the Mayor's office.

In an effort to further improve customer service, MDCPP staff suggested the introduction of a number of mechanisms to listen and respond to citizen requests and criticisms. In all of the selected municipalities in the Department of Sonsonate and in the municipality of Usulután, information booths were placed at the entrance to city hall to better direct citizens to the appropriate offices. In several municipalities, communication coordinators produced informative trifold brochures that explain how to access the different services. The trifold brochures were available at information booths as well as in the respective municipal departments.

In all seven municipalities, a suggestion box was installed and a simple questionnaire designed and implemented as feedback for citizens utilizing services within the Mayor's office. However, only the municipality of Usulután had a clear and systematic method of responding to the requests and criticisms of citizens. An employee kept a log of citizen complaints and requests and sent them to the appropriate department for follow-up on a daily basis. This employee was responsible for contacting the citizens within 24 to 48 hours to provide a response and explain how and when the identified problem would be solved.

In order to further improve customer service, three municipalities (Acajutla, San Julián, and Ereguayquín) made physical changes to the municipality's internal organization in order to better serve citizens by providing easier and more clear access to key services and offices where payments are received. The substantial physical changes and investment which the municipal council in Acajutla made were at their own initiative and expense.

In every municipality visited during this evaluation, both council members and municipal employees were quick to mention how much the training helped them and how much staff attitudes and productivity had improved. The Mayor of San Julián stated that his employees felt a greater sense of responsibility for their positions and to the citizens they serve. Likewise, the Mayor of Puerto El Triunfo noted changes in attitudes and behavior at all levels, including council members, heads of departments, and administrative staff.

These changes were not only noticed by municipal officials, but also by the community. In focus group discussions, citizens expressed their satisfaction with recent changes by their municipality. Participants noted the ease and efficiency with which they were now able to locate services provided in the Mayor's office; the courteousness of the municipal staff in attending citizens; and, improvements in other services such as water, street repair, garbage collection, and public lighting. Nonetheless, people interviewed who lived in outlying *cantones* or *caseríos* mentioned improvements in public lighting and street repair but also

stated that they had limited or no access to water or garbage collection, and that problems in these areas persist.

The training provided by the institutional contractor has had an extremely positive impact not only on the attitudes of municipal leaders and staff, but also on the provision of services by the municipality. This was also reflected in the positive comments of citizens in the municipalities.

- Improvements in services were detected by municipal residents, though these improvements seem to have been concentrated in urban areas and within the town hall itself. Rural dwellers, in particular, often only have contact with the municipal government through the provision of basic services. Although some rural residents noted small service improvements, it is evident that access to basic services is still severely limited in marginal areas and that more long-term solutions must be sought by municipalities in collaboration with the community.

C. Citizen Participation

During the Project's pilot phase, the institutional contractor developed and implemented some participatory mechanisms in cooperation with the municipalities. In the original technical assistance agreements, all seven selected municipalities identified the need for technical assistance in improving the planning and implementation of open town meetings (*cabildos abiertos*) and open council meetings (*concejos abiertos*). Through continued discussions with municipalities, the institutional contractor suggested other mechanisms to improve citizen participation such as holding periodic meetings with different sectors of the community (*reuniones sectoriales*), establishing advisory commissions (*comisiones mixtas*) that include the participation of the community and municipal officials, and providing training and technical support for local development associations, including the formation of coalitions among such groups. Each of these mechanisms is discussed in detail below.

1. Innovations to the Open Town Meeting (*Cabildo Abierto*)

A 1994 evaluation of the MEA Project found that, in general, the *cabildos abiertos* are highly regarded by citizens; however, the people were dissatisfied with *cabildos* as a participatory mechanism.

The institutional contractor suggested changes in their format and content, including dedicating each *cabildo* to a different theme such as discussion of the municipal budget, shortening the length of the meeting, formally inviting specific sectors of the community that would be particularly interested in the topic at hand, having a question and answer period, and using graphics as hand-outs and discussion tools for greater clarity and more interesting

presentation of information the municipality wishes to convey.

The evaluation team could detect only small changes to the *cabildo* in certain municipalities. A Project quarterly report (July 1, 1995 through September 31, 1995) stated that in the municipality of Sonsonate, the council implemented minor innovations to the *cabildo abierto* held on September 24, 1995, including the participation of other institutions and a question and answer period. Further evidence of change was noted in the Sonsonate municipal council's decision to establish a community advisory commission that would help to prioritize projects presented at the *cabildo*, although the prioritization process would not take place at the *cabildo* itself (see section 4.d. below for discussion of community advisory commissions).

During the visits of the evaluation team to San Julián and Mercedes Umaña, council members stated that they held special *cabildos abiertos* to present the financial situation and new initiatives of the municipality. Also, in Puerto el Triunfo, the mayor stated that in order to generate greater interest in the *cabildos abiertos*, leaders of community associations (ADESCOs) were invited. The response was very positive and the municipality, which usually held the *cabildos* in city hall, moved the meetings to a local auditorium to accommodate the greater number of people. Although all officials mentioned that the *cabildos* should be a forum for citizen participation, they did not observe any additional changes in the traditional format of the meetings in their respective municipalities.

Although some changes were detected, the *cabildo* format and content remained virtually the same in all selected municipalities. The principal obstacle to implementing a new *cabildo* dynamic was that the municipal council and the mayor still view the *cabildo abierto* as an obligation rather than as an opportunity to interact with the community. Typically, the mayor dedicates the vast majority of time available to simply reading prepared information to the community and leaves very little time for citizens to express their opinions. The lack of interaction and length of the meeting bores participants and discourages them from participating in the future.

2. Opening Council Meetings (*Concejo Abierto*) to the Public on a Periodic Basis

Council meetings are typically held every two weeks and are generally not open to the public. However, the 1994 MEA evaluation showed strong public dissatisfaction with closed council meetings. The idea of holding periodic open council meetings (*concejo abierto*) was strongly promoted through the MDCPP.

All of the seven selected municipalities stated that open council meetings were held during the pilot phase. However, the evaluation team found that the definition of an open council meeting varied from municipality to municipality and did not always agree with the

definition that the Project followed. While holding open meetings is a positive first step, Project staff also noted that none of these meetings embodied the true concept of an open council meeting in providing an open forum for participation. Only certain sectors of the community were invited to observe and listen to an already established agenda developed by the municipality, which was focused on gaining support for increased service fees and tax collection programs. Both municipal and project staff commented that those invited were "friends of the mayor and council." Project staff noted that in these and other similar meetings in the selected municipalities, participants were given the opportunity to voice their opinions and exchange ideas with council members; however, considering the guest list, the utility of such conversation is questionable.

Just as with innovations to the *cabildo* format and content, council members are very reluctant to open up and involve the community in key policy decisions. Municipal staff members explained that they have seen a greater willingness on the part of the municipal council to hold open forums with the community when they are well prepared, both in terms of the substance of the particular subject matter to be discussed and technique in managing such events.

The principal impediment to introducing open council meetings that allow for citizen participation from all sectors of the community is the reluctance of the mayor and council to implement such forums. They are still most comfortable when simply presenting information to the public; however, if better prepared and informed themselves, council members have demonstrated greater openness to participation.

3. Instituting Periodic Meetings with Different Sectors of the Community (*Reuniones Sectoriales*)

The institutional contractor worked with the selected municipalities in carrying out meetings with various sectors of the community (*reuniones sectoriales*). The initiation of sectoral meetings stemmed from the municipalities' desire to make citizens more aware of the financial situation of the municipality; current efforts to increase the tax base, raise fees, and improve collection systems; and also to make the community more aware of its responsibility to contribute through the timely payment of taxes and fees.

In order to help prepare the municipalities to carry out these meetings with the community, the institutional contractor held a series of workshops for individual as well as small groups of municipalities to discuss the generation and interpretation of accurate and relevant financial data, the analysis of municipal service costs, and the communication of financial data to citizens and citizen groups. Meetings in different neighborhoods and with different sectors of the community were held in Puerto el Triunfo, Mercedes Umaña, Acajutla, and San Julián. Emphasis was placed on carrying out these meetings with the business community in order to provide information on the financial situation of the municipality and

request support in paying taxes and service fees.

In Puerto el Triunfo, the Mayor attributes to a great extent the success of the sectoral meetings to the significant increase in the recovery of delinquent taxes and fees. He noted that the municipality had previously attempted to hold this type of meeting but they had not been very successful when they requested the participation of the private sector. "The suggestions and the experience of [the Project's institutional contractor] have helped us to significantly improve communication with the private sector and the community at large." (Interview with the Mayor of Puerto El Triunfo, Mayor's Office, May 27, 1996).

Municipal officials interviewed noted that the sectoral meetings were extremely useful in gaining the support and understanding of service users and taxpayers and, therefore, increasing the collection of delinquent taxes and fees. However, they also noted the challenge faced by council members in managing such meetings so as to achieve productive and mutually beneficial results. In Usulután, the city administrator stated that the first two meetings with local merchants were used by participants to hurl criticisms and insults at municipal officials. However, preparation on the part of municipal council members, their openness to criticism, and their ability to channel this energy towards a greater mutual understanding and productive discussion and suggestions were critical to making such consultative meetings work.

Sectoral meetings have been very successful in increasing understanding and opening a dialogue with the private sector of the community. However, these meetings were limited to urban areas and focused on the private sector as a means to improve payment of taxes and fees. They also focused primarily on providing information and fostering greater understanding which, although it did not lead directly to citizen participation in decision-making, laid the basis for such participation in the future.

4. Establishing Community Advisory Commissions (*Comisiones Mixtas*)

Principally based on the model of the Water Commission in Ereguayquín, RTI promoted the idea of instituting community advisory commissions that included the participation of both municipal officials and representatives of the community. According to a community member of the Water Commission, the community outreach personnel provided by the MDCPP were key in facilitating communications between the municipality and the community. The council secretary stated that a first attempt to create an advisory commission consisting solely of community members met with opposition from the council; however, the suggestion from Project staff and technical assistance in creating the present structure of the commission helped to respect the authority of the council while actively involving the community in the decision-making process.

The municipality of Sonsonate has a number of advisory commissions that work with the Mayor and other municipal officials in such areas as sports, community development, and social/cultural issues. The institutional contractor also provided assistance to the municipal council in establishing a commission with representatives of the community to prioritize funding requests received during *cabildos abiertos* for basic infrastructure projects. A draft manual was developed by the municipality and the institutional contractor that defines the role of the advisory commission in providing recommendations to the council after each *cabildo abierto* on which projects should be given priority.

The Project also supported the establishment of community advisory commissions in Acajutla and San Julián. In Acajutla, municipal staff assisted an Ecological Committee in applying for its *personería jurídica* (legal status). Also, a group of community representatives joined together to form a Civic Committee that includes the participation of leaders of ADESCOs, members of the Ecological Committee, and other interested citizens. Both committees are principally used as mechanisms to present requests to the municipality in an organized fashion. There is no formal system to involve directly and regularly the committees to advise the council on specific decisions.

In San Julián, a dormant inter-institutional committee was revived with Project assistance. The committee members include representatives of institutions operating within the municipality such as ANTEL, FUSAL, local schools, the National Civilian Police, etc. Based on discussions conducted with members of the committee, the evaluation team noted that the committee was not directly involved in the local government decision-making process; rather, it functions as a mechanism to coordinate activities.

Except for the Water Commission of Ereguayquín, no other permanent advisory commission was established in the selected municipalities with a role clearly defined and where both council members and citizens participate in the decision-making process within a formally established and legally recognized structure. The fact that some municipalities demonstrated interest in and worked with community advisory commissions is a positive step. However, little progress was made to actively involve citizen participation in decision-making any further and to allow citizens to have a voice. As mentioned before, council members are reluctant to include citizen participation in key policy decisions.

Two major obstacles were identified in the Project's efforts to create community advisory commissions: the reluctance of the municipal council to create mechanisms that allow for regular and systematic citizen input in policy decisions and the lack of understanding of the community as to their responsibilities as citizens and ways in which they can effectively participate.

The Ereguayquín model demonstrates the benefits of promoting participation through outreach efforts. It also shows that involving the community directly in local decision-

making contributes to community ownership of the project and improves the confidence of the community in the use of funds and management of the service, which can significantly increase citizens' willingness to pay for the service.

5. Support for Local Development Organizations and Formation of Coalitions

The institutional contractor worked with the heads of the municipal departments of Social Promotion/Community Development and Communications/Public Relations to define work plans and hold training workshops with ADESCO leaders. Staff from these municipal departments began to visit different sectors of the community, focusing on the more marginal sectors. The objective of these efforts was to begin a two-way communication with the community through municipal outreach.

Training workshops for ADESCO leaders were held in Sonsonate, Acajutla, San Julián, and Puerto El Triunfo. The workshops generally covered the following topics: organizing an ADESCO; establishing its functions and priorities through group decision making; the importance of obtaining legal status (*personería jurídica*) and how to obtain it; and formation of a local network of ADESCOs.

E. Conclusions, Recommendations, and Lessons Learned

Conclusions:

Both municipal development and citizen participation are critical to achieve sustainable local development. In supporting citizen participation during the pilot phase, the MDP made significant progress in the following areas.

1. Internal municipal communication was greatly improved through the establishment of internal working committees and the institution of regular meetings between the municipality and the community.

2. Communication media and methods were developed, implemented, and institutionalized within the municipality, which established regular communication from the municipality to the community.

3. Customer service was significantly improved through change in attitudes at all levels (mayors, council members, employees) and the installation of permanent monitoring mechanisms to track citizen satisfaction with services.

4. Open dialogue was established between several municipalities and certain sectors of their respective municipal populations, particularly the private sector, through sectoral meetings. Discussions with leaders were initiated in order to reach out to more marginal populations.

Perhaps most important, these accomplishments are reflected in changes in the attitude and behavior of municipal leaders and staff members. Improved services and information and more efficient and courteous attention by municipal officials were noted by focus group participants. These are important achievements that lay the basis for even greater improvements as municipal officials are further encouraged by positive feedback from the community.

In promoting citizen participation during the pilot phase, the focus was on complementing and bolstering improvements under the Project in municipal finances, administration, and project development. Understanding and acceptance of the changes in these areas on the part of citizens were considered critical for long-term sustainability. Through the Project, the municipalities were able to obtain said support, as observed in citizen participation in sectoral meetings and the increase in understanding and good will to pay rates and taxes.

The Project focus on supporting improvements made in municipal financial management and administration served as a main opening for the citizen participation component and helped to foster greater coordination within the municipalities and among Project staff working in finance and participation. However, at the beginning it proved to be limited in terms of (1) the population - the primary focus was on urban center residents - and (2) the objective of increasing participation in local democratic processes - the focus was on providing information and not promoting participation. Communication from the municipality to the community improved significantly, but two-way communication which involves citizens in decision-making processes did not.

As noted in the November 1995 study on participation/local governance models, "the chances of promoting citizen participation are much greater if there is first a process which: i) helps specific groups of citizens identify the principal concerns of their community or sector, and ii) assists them in establishing priorities." (Dunsmore, 1995, p. 11). This was the main weakness of the MDCPP's participation component during the pilot phase. The Project staff members who attended the stakeholder workshops noted the lack of a defined methodological approach and integration of the principal components as a major obstacle to achieving Project success. Rather, the focus was on developing specific participation mechanisms and structures. Project staff provided technical assistance and held discussions with municipal employees and council members in the hope that the municipality would eventually begin to internalize and adopt these mechanisms.

The National Reconstruction Project's evaluation found that "the activities aimed at strengthening local institutions and increasing civic participation have run on two separate tracks, one directed at municipal government and the other aimed at NGOs and community groups...This lack of coordination retards efforts to move from scattered individual projects ...to integrated development planning." [MSI, June 1996, p. 81 (draft)]. During the pilot phase, the MDP was successful in bringing both sides (public and private) together at the local level through such mechanisms as sectoral meetings, nascent advisory commissions, and regular discussions with ADESCO leaders. However, these efforts did not move beyond information and discussion to include citizen participation in decision making, except in the case of the Ereguayquín water commission. The Project's initial emphasis was almost exclusively on strengthening and opening up the municipality to participation. Due to this emphasis, the Project did not develop participatory methodologies that would effectively engage both partners (municipality and community) in an open dialogue to prioritize local development challenges and develop an action plan to overcome these challenges.

Recommendations:

The following recommendations are presented for the design and implementation of Project activities during the second phase to support greater citizen participation.

1. The institutional contractor should place more emphasis on skill training for municipal officials and community representatives. Both public elected officials and community leaders need training in leadership and public-speaking skills, running effective meetings, conflict management, participatory methodologies, group decision making, and strategic planning. Such training could be provided simultaneously with the participation of both partners and at a (micro) regional level to facilitate cross-fertilization of ideas and experiences among municipalities.
2. The institutional contractor should identify community leaders from the outset of a project to work in cooperation with the municipality in setting priorities and objectives that will be achieved through joint efforts. The community must be encouraged to take responsibility for making difficult decisions along with the municipality, and the municipality, in turn, must make the public commitment to open the priority-setting and decision-making process to citizen participation. This fosters a true sense of community ownership of decisions made and projects implemented.
3. The establishment of advisory commissions (*comisiones mixtas*) should be decided and defined jointly by the community and the municipality. The institutional contractor should assist in facilitating open discussions with the participation of both partners and advise them on ways to structure a commission with joint representation, as a permanent institution with a regular meeting schedule and a well-defined purpose.

4. The role of the institutional contractor should be as facilitator and provider of technical assistance to both the municipality and the community. Project staff should regularly visit the municipalities in order to support and advise both partners about the modernization of local government and education for citizen participation.

5. The institutional contractor should design and implement inter-municipal exchanges and training sessions so that officials can learn from others' successes and can see that although it is a slow and difficult process, participation can increase the confidence of the community in the municipality and create greater community ownership of decisions made and projects implemented.

6. The institutional contractor should develop (1) instructions to improve municipal communications (internal and external) and (2) a customer service training manual. The project has been successful in providing training and technical assistance in these areas to all seven municipalities, and both the municipalities and the communities they serve greatly appreciate and value the results of these efforts.

7. The institutional contractor should immediately contact other organizations working in the area of participation to learn about already developed, proven participatory methodologies. Cooperation mechanisms should include, at a minimum, regular meetings with key organizations working in the area of civic participation and joint training sessions where experienced NGOs can provide training to the MDCPP staff in participatory methodologies and implementation skills and where Project staff can provide training and information in areas where they have had success, such as communication and customer service.

8. USAID and the institutional contractor should also consider the possibility of subcontracting a Salvadoran NGO (or partnership of NGOs) with proven experience in the area of citizen participation that may be able to implement all or part of the Project's participation component in a more efficient, and more cost-effective manner. This could improve the chances of sustainability of Project efforts within a national organization or consortium of organizations. The focus of the citizen participation component in the second phase of the project should be on improving coordination and developing mechanisms for cooperation with other donors and NGOs that have achieved success in this area and building upon or adapting their proven methodologies.

Lessons Learned:

The experience of the pilot phase provides specific lessons learned that will be useful in implementing the citizen participation component in the second phase of the Project.

1. Resistance by elected officials to citizen participation can be overcome by training and preparing municipal leadership technically in areas such as finance, cadastre, and legal structures as well as in the use of participatory mechanisms and effectively engaging the community in open discussion.

2. Community leaders want to participate in order to contribute to the development of their respective communities. However, they often lack the skills to motivate and organize their neighbors for participation and lack important and lasting knowledge of such areas as attitude changes of municipal officials, internal administrative practices, and provision of services. Significant qualitative changes and improvements were made in communication/information, customer service, and, to a lesser extent, participation. The specific achievements are discussed in Section 2-4 above.

3. To institutionalize communication and community outreach and development activities within the municipality, a municipal staff person should be assigned to oversee these activities as his primary job responsibility. In these efforts, equal emphasis should be placed on reaching all population sectors to provide them information and encourage their participation.

4. Participation in decision making and the mechanisms to achieve such participation should stem from an open dialogue between the municipality and the community. This dialogue can be facilitated by an outside technical assistance provider, through the use of participatory methodologies that bring the partners together, and through advice and guidance in establishing and structuring participation mechanisms, such as advisory commissions, where both partners are included.

5. The communication gap between municipal employees and local elected officials can be bridged through regular meetings and discussions held at internal working group sessions. Council members better understand technical and operational issues and lend support; and employees, in turn, gain a greater sense of self-worth and responsibility as part of a cohesive municipal team.

6. Training in customer service and human relations has an extremely positive impact on municipal officials. Improvements in this area are highly valued by both the municipality and its citizens.

7. Although it is important to disseminate success in implementing participatory structures such as open town meetings and open council meetings, models based on specific examples of success are not easily replicated without an appropriate methodology.

8. Participation is a gradual process that requires changing long-held beliefs and attitudes of both municipal officials and members of the community. However, greater and more long-lasting progress can be made in promoting participation if the community is involved with the Project from the outset and is able to enter into open and purposeful dialogue with the municipality.

VI. CONCLUSIONS, RECOMMENDATIONS, AND LESSONS LEARNED

Conclusions:

The vision of the Salvadoran municipality painted by the participants in the final stakeholders' workshop offers an ambitious and motivating agenda: community participation in planning for local economic, social, and physical development; citizen advisory boards that include the private sector as well as community leaders, rural as well as urban representatives; municipal autonomy over water and primary education, with other services by local choice; municipal financial autonomy, with a new financial system that is useful for decision making and generates confidence; a municipality that is clean, well lighted, with green spaces and recreational areas; a municipal government that is efficient, responsive, oriented toward a long-term vision, and inspires confidence; and a pluralistic council that represents rural cantons as well as urban areas.

The participants noted substantial progress towards this vision in the seven pilot municipalities over the last year: greater friendliness of municipal officials towards the public, more open council meetings and *cabildos abiertos* that included everyone, not just party sympathizers; new levels of community organization through ADESCOs; council members who reach out to the community; municipal "*consejerías*" on themes of great interest such as infancy; a municipal officer dedicated to customer service, along with an office for citizen complaints and an information booth; new departments of planning and development; more computerized information made more accessible to citizens; better project execution; a methodology for prioritizing projects not based on political clientelism; inter-municipal cooperation to provide some services and infrastructure; and more up-to-date tax registers.

What credit can the Municipal Development Project take in these advances pointed out by the stakeholders? It is clear that the Project has had some tangible and important successes. The Project's main contribution has been where participation and finance come together. The major success from the pilot phase that deserves to be disseminated and replicated is the model for financial transparency based on understanding and communication. The pilot phase demonstrated that the reluctance on the part of mayors and council members to share information about the municipality's financial situation was not due primarily to fear of being held accountable. Rather, it was due to their own lack of understanding of the municipality's financial situation and their fear of being seen as ignorant. This lack of understanding extended to the municipal employees as well. Sensitive technical assistance by the Project staff allowed the municipal employees to put together the municipality's financial information in a meaningful way - transforming the obfuscatory line item accounting required by the *Corte de Cuentas* into a clear rendition of costs and revenues associated with each municipal service. The municipal employees, with the assistance of Project staff, were then able to communicate the revealing information to the elected officials, who in turn were able to communicate it to the public. This simple intervention, and the resulting awareness of the extent to which municipal services lose money, greatly increased the public's willingness to pay for municipal services in the pilot municipalities.

Since the Project is closely related to the Mission's overall strategy, it is of great value to USAID. The Project represents the Mission's main investment in the crucial area of decentralization and local government strengthening now that MEA is phasing out. The Mission has correctly determined that the stability of democracy in El Salvador depends heavily on the responsiveness of local government to the citizenry. This means much more than responsiveness to local municipal service needs, but rather the ability of local government to engage the citizenry in a joint project of economic and social development to create stakeholder ownership of local government.

While significant positive steps have been taken in the legal framework affecting municipalities in the last two years, important bottlenecks remain, which USAID continues to address, especially the issues of proportional representation on municipal councils and the possibility of independent mayoral candidates. Also, the issue of property tax appears to have lost its momentum for the time being.

The next phase of the Project presents three major challenges:

- strengthen the links with the 'owners' of the Project, the Government of El Salvador and COMURES;
- overcome the insularity of the Project by communicating the replicable results in financial management, transparency, client orientation, and communications to other municipalities and providers of technical assistance;
- expand the strategy and methodology of the Project's citizen participation component, which is to receive greater emphasis in the following phase; and
- plan for the sustainability of the Project achievements by selecting or preparing a Salvadoran organization or network of organizations to gradually take over the implementation.

Recommendations:

A. General

1. Strengthen relations with national counterparts, the Government of El Salvador and COMURES.

a. The Project should better support national and relevant organizations' agendas for municipal strengthening.

b. The Coordinating (ad hoc) Committee should exercise a more definite influence on the Project.

2. Criteria for the selection of new municipalities that will be incorporated during the second phase.

a. The Project should jointly define, with the Government of El Salvador and COMURES, clear selection criteria.

b. The diversity of population size, diversity of politics, level of leader for awareness participation, and degree of interest on the part of the mayor should be considered as key criteria.

3. Replication of achievements.

In order to disseminate replicable results in financial administration, transparency, client orientation, and communications with other municipalities, the institutional contractor should follow two routes during the second phase: (1) use counterpart institutions - COMURES and ISDEM - and other providers of technical assistance to spread its results and methods (this route requires better inter-institutional links); and (2) use the mayors, council members, and municipal employees who have already learned the methods in pilot municipalities to disseminate them to other municipalities through micro regions, CDAs, and department-wide committees of municipal officers - e.g., communication staff, financial officials.

4. Sustainability.

The Project should work very closely with the Government of El Salvador and COMURES in the design and implementation of a strategy to strengthen the local democratic development component in a sustainable form. Likewise, it should design and implement a strategy to institutionalize Project achievements in the country, together with the Government of El Salvador and COMURES.

5. Participatory plans of local strategic development.

The Project should facilitate participatory plans for local strategic development. Such a process could be an effective instrument to focus participation and create consensus before signing an agreement with a new municipality.

B. National Policy Reform Component

1. COMURES should be, by choice, the center of reforms and political dialogue in the municipal system; to this end, USAID/ES should help COMURES to create a unit for the purpose in its organizational structure. Likewise, it should participate more actively in the design of a strategy and implementation plan for the reforms it promotes.

2. USAID/ES should reserve resources to orient them to the dialogue for policies that are different from those of COMURES in case any "window of opportunity" appears that may be appropriate for another institution.

3. COMURES should direct its efforts for reforms/changes during the present election year: (1) to reform the Municipal Code in its noncontroversial aspects, promoting a municipality that is modern and transparent, and (2) to establish a dialogue at the highest level with political parties.

4. COMURES should take advantage of the election year to promote and stimulate practices that strengthen local democracy and governability, the purpose of the project. For example, COMURES should sponsor local debates for candidates for mayor so that platforms are known by the citizens.

5. COMURES should consider making the Commissioner for Modernization its speaker before the Executive Branch.

6. COMURES should orient its efforts for dialogue on the subject of administrative decentralization towards a sectoral approach instead of a national strategy.

7. Once the new Legislative Assembly takes office in 1997, COMURES should re-establish the dialogue with it and endeavor to incorporate in the legislative current initiatives: (1) to update local taxes, (2) to define the distribution criteria and an automatic mechanism for the delivery of budgetary transfers to municipalities, (3) to modernize the tax system, and (4) to demonopolize positions on municipal councils.

8. USAID/ES should advise candidates and elected Mayors about the Project's achievements in order to establish an affinity and continuity with the MDCPP from the start.

C. Municipal Strengthening Component

1. Project staff should consolidate in the short run support in the areas of administration and finance of selected municipalities so they can serve as models for other municipalities to be integrated into municipal and community development in the future.

2. The institutional contractor should offer technical assistance for seeking financing for infrastructure projects that have been identified with citizen input.

3. The institutional contractor should work with ISDEM to improve municipal financial data in order to have a reliable national benchmark to measure progress in selected municipalities.

D. Local Democratic Development Component

1. The institutional contractor should place greater emphasis on skills training for municipal officials and community representatives. Both public elected officials and community leaders need training in leadership and public-speaking skills, running effective meetings, conflict management, participatory methodologies, group decision-making, and strategic planning. Training should be provided simultaneously with the participation of both partners and at a (micro) regional level to facilitate cross-fertilization of ideas and experiences among municipalities.

2. The institutional contractor should accompany the community, as well as the municipal government, in the modernization of local government and education on citizen participation. The same contractor should not serve as a link between them.

3. The institutional contractor should immediately contact other organizations working in participation to learn about already developed and proven participatory methodologies.

4. The institutional contractor should strengthen and institutionalize the local democratic development component. A strategy to strengthen the local democratic development component should meet three criteria: (1) the actions proposed should emanate from the stakeholders (municipal government and community groups); (2) the efforts should be evaluated on short-term results; and (3) providers of technical assistance, the institutional contractor as well as any NGO subcontracted, should be given sufficient flexibility.

The institutional contractor could work with an existing consortium or network of national providers of technical assistance in the municipality/community as long as the consortium/network meets the criteria established by the contractor. The institutional contractor would then act as a "facilitator" to subcontract, monitor, supervise, and actively follow up the process. Also, it would develop special projects or opportunity targets.

Lessons Learned:

1. A project supported by an external assistance should pay much ongoing attention to its relationship with national counterparts so they can be genuine partners of the project.

2. A foreign institutional contractor should be closely related to its national counterparts so as not to become isolated.

3. When a foreign institutional contractor is hired, it should be very aware of the importance of establishing collaborative links with national entities working in the same field and maintaining transparency in the cost/benefit relation.

4. When talking about improving the efficiency of a municipal service, attention should be given to the elements involved in the service. Increasing user fees for a service is not the whole solution to the service deficit problem, but rather a tool that, added to other resources such as human or technical, helps to increase the efficiency of the service provided by the municipality.

5. When the regular (normal) and legal collection of taxes and fees for services is normalized, with the decision authorized by the municipality, this allows the community to react, initiating a communication process from the community to the municipality, generating a healthy exchange of concerns where there is reason for and complaints about works carried out by the municipality within its legal framework.

6. When the incentive of project money is used to induce desired behavior regarding modernization or participation, the behavior may change but not the underlying attitudes. When the incentive is removed, behavior will again reflect these attitudes. A sustainable participatory methodology must work with the whole person, not just his behavior.

7. Both municipal officials and community leaders wish to improve communication and citizen participation within their respective communities. However, there is often initial resistance by the municipality, misunderstanding and distrust by the community, and a general lack of skills in ways to achieve participation. By establishing an open dialogue and providing training both in technical areas, such as finance and cadastre, and in the use of participatory mechanisms, mutual understanding can be improved, fears can be overcome, and both partners (municipality/community) can effectively be engaged in local decision-making processes.

8. Although it is important to disseminate achievements in implementing participatory structures, such as open town meetings and open council meetings, participatory models based on specific examples of success are not easily replicated without an appropriate methodology.

9. Participation is a gradual process which requires changing long-held beliefs and attitudes of both municipal officials and members of the community.

CHAPTER VII

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APPENDIX 1

EVALUATION TEAM MEMBERS

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APPENDIX 2

RESPONSES TO SPECIFIC QUESTIONS IN SCOPE OF WORK

A. Progress towards End-of-Project Status Indicators

1. The GOES will make a good faith effort to obtain the Legislative Assembly's approval of a new law giving a greater financial capacity to the municipalities to guarantee their autonomy.

The GOES recently passed a law guaranteeing municipal governments a portion of the value added tax; however, the size of the transfer is not guaranteed and the disbursement of the transfer is not direct, but rather through a central government agency. Approval of this revenue sharing measure was gained at the cost of support for municipal property tax legislation, the passage of which appears unlikely in the foreseeable future. (See Chapter III) While some observers advocate passage of a strong decentralization law, most see ample opportunity for municipalities to begin to improve their financial self-sufficiency and increase their responsibilities for local service delivery under the current municipal code. The existing legal framework even permits individual municipalities on a case-by-case basis to develop and implement a property tax. To date no municipality has taken advantage of this possibility.

2. The GOES will increase Central Government transfers to municipalities by \$35 million.

According to the statement of the GOES representative, the transfers have been authorized in the budget for the amount of \$37 million in 1995, which has fulfilled the requirement for this year. But still, a permanent transfer has to be made. It is undetermined which mechanism will be used to channel this transfer.

3. The organizations of mayors (CDAs) of the Departments of Sonsonate and Usulután will coordinate decentralization policies from the central government to the municipalities and will be capable of effectively identifying and solving problems common to the municipalities they represent.

Little progress was made with the CDAs in Sonsonate and Usulután due to the inability of the mayors in those Departments to define their role and set forth a work plan that is viewed as useful and necessary by the majority of mayors that each council seeks to represent. In the pilot phase, the institutional contractor was directed to work with the two CDAs and initial planning work was completed including recruitment for a general manager. Progress stalled when the property tax law, the basic issue around which the CDAs were organizing, was not approved. The institutional contractor was instructed by USAID to pull back and let the CDAs define their role given the changed circumstances.

Currently, in Sonsonate the CDA has dissolved and no efforts are being made to revive it. The CDA of Usulután is making an effort to establish itself as an entity that works to serve the municipalities of Usulután; however, of the 23 *municipios* in Usulután, only 12 are active

members of the CDA. The work plan developed in November 1995 is currently being reviewed to see if changes are necessary. As stated by the CDA general manager in Usulután, the principal role of the organization is viewed as providing technical assistance to member municipalities, coordinating the efforts of NGOs and national and international organizations that provide technical assistance to municipalities. The President of the Usulután CDA mentioned the importance of working with and through COMURES to protect municipal interests and seek greater autonomy. While inter-municipal coordination and lobbying activities are areas where the CDA would have a clear advantage over other organizations working in support of municipalities such as ISDEM, the organizational purpose and vision is still lacking which is reflected in the lack of interest of about half of the Usulután municipalities in participating.

4. Additional significant revenues will have been generated by the selected municipalities through the full utilization of existing laws including, but not limited to: updated commercial cadastral system for increasing current taxpayers roles; more effective tax administration; new collection techniques; and updated service fees rates to reflect cost plus surplus.

The revenue in selected municipalities has increased on the average of 20% (2.9 million) for the 94/95 period with better payment, collection, and recovery systems in place. On the other hand in the first trimester of 1996, there was an increase of 47% (1.8 million) compared to 1995. Also, recovery campaigns have transpired in selected municipalities which have resulted in an increase in revenue and a reduction in outstanding taxes. The finalization of the commercial cadastre is pending. The new rates for service have not been instituted yet, and the effective tax administration is being initiated with the reorganizational gains in the pilot stage.

5. The selected municipalities will allocate 20 percent of their budgets for capital expenditures.

The municipalities have not been able to allocate 20% of their total revenues in investments within their municipalities, because the information regarding the levels of investment are not available. However, the same municipal authorities have complained that due to this lack of resources on investments, they cannot fulfill the planned expectations of the project. At this point, the levels of tax collection for the investments have not increased or improved as hoped, and the cost study mentioned that the taxes are to be utilized for subsidizing the services. For 1994 within three of the selected municipalities a level of investment was in the order of 0 to 1.48%. (Information provided by Cyclo Financiero de Sonsonate y Usulután workshops respectively).

6. The selected municipalities will be providing one or more basic services; all user fees received from a given service will be used only to pay the costs of that same service; and the user fees collected should cover actual full costs, projected expenditures, and the effects of inflation.

No profitable service is being utilized in which all the direct and indirect costs are protected by the rate of the user fees. In addition, there is a significant delay in the services lent by the municipalities.

7. The selected municipalities will have implemented at least one revenue-generating project with Municipalities in Action (MEA) Program Resources.

None of the selected services of the planned projects have been generated in any of the municipalities. The majority are in the approval phase of the SRN with MEA funds.

8. The decentralization of the water sector will be promoted by supporting ANDA's decentralization program and by assisting particular municipalities as they assume greater responsibilities for the provision of potable water.

The decentralization process for water resources has been promoted and advanced with projects in Ereguayquín, Tetralogia, in six municipalities of Usulután and the water system of Sonsonate; these in general present the preliminary advances of the creation of communication and coordination mechanisms with ANDA and the interested municipalities.

9. In the selected municipalities, two-way communication between the local government and its constituents regarding municipal and community affairs will be improved.

In the area of participation, assistance was provided in both improving internal communications of the municipalities and external communication with the community. In both areas progress was noted in all seven municipalities. Nonetheless, initiatives in improving external communication focused primarily on the municipality providing information on municipal activities to the community -- one-way communication from the municipality to the community. Far greater advances were made in both Departments in implementing mechanisms that helped to prepare the municipality to collaborate with the community and much less has been done to improve the community's ability to communicate with the municipality as well as to change the municipality's willingness to be open to such two-way communication. Mechanisms for improving two-way communication were only beginning to receive increased attention and which met with some resistance from the mayors and council members.

10. In the selected municipalities, the local government will institutionalize citizen access to the municipal policy-making process.

Only in the Municipality of Ereguayquín was citizen access to municipal policy-making been institutionalized through the establishment of the Water Commission that includes as members both representatives of the community and the municipality. Municipal officials in other municipalities were reluctant to open the decision-making process to citizen input which was reflected in their unwillingness to make significant changes to the *cabildo abiertos*, open council meetings to citizens and support the creation of advisory commissions such as the Water Commission in Ereguayquín.

Though some effort was to support advisory commissions in three of the seven select municipalities (Sonsonate, Acajutla and San Julián), these groups typically consisted of only of community representatives who discuss and request assistance from the municipality. They had

no formal, structured role in decision-making. At the end of the pilot phase, the project began work on establishing a system in each of the municipalities, beginning with Sonsonate as a model, that allows for citizen input to decisions regarding funding for infrastructure projects presented at the *cabildos abiertos*. While these could be considered limited first steps, municipalities still did not strongly demonstrate the will to open up municipal decision-making process to the community and citizens were not prepared to participate in a constructive and organized fashion.

11. *A citizenry better educated in how to access benefits available through the local government and collaborate with the local government to resolve issues of importance to the community.*

The project made progress in educating citizens and promoting collaboration in two ways. First, institutional contractor provided training to the municipalities in how to communicate financial information to the public. Based on this training and follow-up technical assistance, several municipalities held a series of meetings with the business sector in their communities in order to educate business people about the financial situation of the municipality and their responsibilities to pay taxes and fees. The municipalities noted the more positive and collaborative attitudes of the private sector representatives stemming from an improved mutual understanding fostered through open dialogue. Indeed, in the municipality of Usulután, members of the merchants' association are attempting to form an advisory commission to work with the municipality on issues affecting local economic development.

Second, the institutional contractor also supported the creation (or re-organization) of the municipal departments assigned the responsibility of improving communications with and outreach to the community. The municipalities were assisted in developing action plans to begin a greater dialogue with the community through regular visits to the different *cantones*, *colonias*, etc. and through training for ADESCOs in how to apply for *personería jurídica*, organize themselves as a cohesive group and develop a network or coalition of support and cooperation among themselves and with the municipality. Workshops covering these issues took place in four of the seven select municipalities and helped to open the lines of communication between the municipality and the community, particularly the rural sector.

B. Project Implementation

1. *How do stakeholders view the evolution of the Project? What does it represent? How does it operate? What are the problems and benefits? What modifications should be introduced?*

The predominant view among those familiar with the Project--whether elected officials, municipal employees, Project staff, certain institutions (eg. ISDEM, GTZ)--is that the primary benefit of the Project has been to increase municipal revenues in the pilot municipalities. The second most frequently cited benefit is improved municipal image due to greater citizen participation, better 'customer' service, and more efficient management.

There was a striking lack of awareness of the achievements of the Project on the part of international and local NGOs working on the same themes, and also on the part of the Project's counterpart institutions: Relaciones Exteriores and COMURES.

Very few citizens interviewed for the evaluation were familiar with the Project at all, although a number of urban residents were aware of improvements over the last year in municipal services, more frequent communication from the municipality, and better service at the local government offices.

In terms of problems with the Project, elected officials most frequently cited the Project's inability to fulfill promises to obtain funding for agreed-upon capital improvement projects.

Project staff most frequently mentioned the lack of a methodology or vision for the Project, the insularity of the Project with respect to other institutions, the top-down management style, and the lack of job security. The institutional contractor responded immediately to suggestions from the project staff made in the evaluation workshops by starting a weekly training and information session for the staff, which would bring in guest speakers from other institutions.

International NGOs involved in municipal development and citizen participation most frequently cited the Project's unwillingness to work with them or to take advantage of lower cost national expertise and experience in the subject matter. One of the main

recommendations from the NGOs was for USAID to sponsor an open bidding process for the NGOs to compete for subcontracts in their area of expertise.

2. Do pilot efforts represent reliable models for replication and if so, how will replication be accomplished?

The major success from the pilot phase that deserves to be disseminated and replicated is the model for financial transparency based on understanding and communication. The pilot phase demonstrated that the reluctance on the part of mayors and councilmembers to share information about the municipality's financial situation was not due primarily to fear of being held accountable. Rather it was due to their own lack of understanding of the municipality's financial situation and their fear of being seen as ignorant. This lack of understanding extended to the municipal employees, as well. Sensitive technical assistance by the Project staff allowed the municipal employees to put together the municipality's financial information in a meaningful way--transforming the obfuscatory line item accounting required by the Corte de Cuentas into a clear rendition of costs and revenues associated with each municipal service. The municipal employees, with the assistance of Project staff, were then able to communicate the revealing information to the elected officials, who in turn were able to communicate it to the public. This simple intervention, and the resulting awareness of the extent to which municipal services lose money, greatly increased the public's willingness to pay for municipal services in the pilot municipalities.

While some observers may consider this common sensical improvement to hardly warrant the title of 'replicable model,' it must be pointed out that in showcase municipalities known for their successful rapprochement between municipality and community (eg. Perquin, see Bibliography), the issue of public understanding of municipal finance has been overlooked. The cost of overlooking this issue is continued dependence on outside funding--i.e. the "pedir" mentality.

With respect to other successful efforts by the Project staff to increase municipal income, it is difficult to say any of them serves as a unique replicable model. Technical assistance in updating municipal cadasters is certainly not unique to the Project. In the case of updating user fees, ISDEM has provided technical assistance nationwide in this area which has resulted in the updating of 90% of all municipal user fees (see Chapter III). ISDEM/GTZ has an effective methodology for improving tax collection and reducing delinquency. GTZ is entering the area of municipal service provision--water, roads and garbage--and is incorporating a strong participatory component based on workshops bringing mayors, councilmembers, municipal employees, and community representatives together to prioritize service improvements.

An exception may be the Project's successful efforts with respect to tax collection and reduction of delinquency. While ISDEM/GTZ has proven methods for tax collection, the Project staff was able to adapt those methods to the pilot municipalities by working with municipal employees to create a manual that met their needs and to design an effective process that emphasized direct and repeated communication with the taxpayers.

Another candidate for 'replicable model' from the Pilot Phase is the local citizen-based water board that the Project staff helped to create to ensure the smooth decentralization of ANDA's water project in the municipality of Ereguayquin. A similar approach is being planned for another water project in Usulután Department (the "tetralogia" project), which will involve not only citizen participation but inter-municipal cooperation.

Possible replicable models coming from the citizen participation component of the Project are at this point still incipient (see Chapter IV), with one exception: the creation of a department-wide committee of municipal communications officers from each municipality in Sonsonate, which has proven useful for sharing innovative ideas among municipalities.

Other than the departmental communications committee, the Project has given little attention to the replication and dissemination of Project achievements. This reflects the insularity of the Project, which will be addressed in the next phase. One promising conduit for replicating Project achievements could be inter-municipal cooperation (through micro-regions or CDAs).

3. Are the current criteria for selecting additional municipalities appropriate?

The current criteria for selecting additional municipalities, as reported in the Project Amendment Authorization Action Memorandum, are (a) demonstrated commitment by the mayors and councilmembers to the goals of the Project, (b) a good track record on MEA projects, service fee increases, and public service improvements, (c) demonstrated initiative in building financial

autonomy, (d) a good track record with cabildos abiertos and demonstrated interest in other forms of citizen involvement; and (e) willingness to assume responsibility for newly decentralized services and meet community needs. Municipalities will be competitively selected (assuming demand exceeds supply) , primarily from within Sonsonate and Usulután, to reflect a broad range of political orientations and will primarily fall in a mid-range population size (20,000-80,000). It is clear from these criteria that the implicit strategy is to go with those most likely to succeed in order to create some showcase municipalities, while keeping costs down by limiting the geographic coverage.

First of all, it may be difficult to find municipalities from a broad range of political orientations within the two departments that also meet the other criteria. Secondly, there may be some excellent opportunities in municipalities outside of Usulután and Sonsonate that would be excluded using these criteria. Following are additional or alternative criteria that could be considered:

- If USAID opts to replicate one of the most successful components of the Pilot Phase, then it may want to work in those municipalities where ANDA will be starting decentralized water projects, regardless of location.
- If the second phase of the Project aims to give more emphasis to participation over municipal strengthening, then USAID may want to consider choosing those municipalities where the war wounds run deepest and there is greatest need for forging common ground and understanding between municipal government and the community.
- To maximize success and take advantage of special opportunities, USAID could adopt the approach of requesting applications from municipalities throughout the country for specific assistance, as opposed to choosing a few municipalities for comprehensive assistance. Applications could be submitted by municipal governments, NGOs, or community organizations, but must show the support and collaboration of the other parties. The applications would be evaluated competitively by the institutional contractor. The Project could then offer in-house assistance or contract with an NGO or other provider. In this way the Project would be 'customer' driven, avoid the problem of offering unwanted services, increase visibility and coverage of the project, diversify risk, and increase sustainability. Moreover, this approach would promote community/NGO/municipal cooperation at the front end.
- If USAID were to adopt a participatory methodology itself, it would want to ask the various institutions, NGOs, community representatives, and municipalities for criteria.

4. What criteria should be used for "graduating" municipalities and for terminating assistance?

The Pilot Phase has produced some municipalities that are ready to graduate from the municipal strengthening component, but not from the citizen participation component. Finance is the most straightforward: the EOPS about revenue generation and allocation and basic service provision

and finance can easily be made more precise to serve as graduation criteria. In administrative modernization, the municipality's organizational chart would serve as one indicator: have the cadaster, billing, and collection functions been integrated, for example.

However, both administrative modernization and participation (including internal and external communication) would require opinion surveys as well: Do the municipal employees feel that the goals and values of administrative modernization have taken root (as we were told in one municipality, "we don't need RTI anymore if in fact we ever did; we are modernizing on our own")? Do the citizens feel that the municipal government is responsive, effective, and genuinely interested in public participation?

5. What baseline data is required for measuring future progress?

Periodic public opinion surveys in each municipality where the Project is working would provide a reliable measure of progress. (Such surveys were called for in the Project Paper but have not been implemented; it is not too late to start, however, since the participation component is just beginning to focus on the community.) Any survey must be rigorously structured to fairly represent the municipal population by age, gender, income, and place of residence (urban/rural). The survey instrument should be pilot tested, then administered to the first seven municipalities as early in the second phase as possible, and then to the eight new ones as soon as they are all on board. The survey should be readministered in two years as the second phase is ending and before any second phase evaluation study. The survey should be repeated just before the end of project.

The necessary baseline financial information on pilot municipalities is available for plotting their improvements and comparing them to each other. However, the evaluation team had great difficulty in obtaining national-level municipal financial data to serve as a benchmark with which to evaluate the changes in the pilot municipalities.

6. How do GOES transfers affect Project objectives?

GOES transfers resources to municipalities through revenue sharing of the value-added tax, and through MEA and national counterpart funds for local development projects. All of these transfers are mediated by a strong central government agency, the SRN, which will soon become the Corporation for Local Development. While these transfers provide important revenues for municipalities, they affect Project objectives adversely by continuing dependence on central government transfers.

7. What is the value of the Municipal Development Project in El Salvador? What is its value as it relates to the Mission's overall strategy?

The value of the Municipal Development Project to the country has to date been small because of its insular nature, lack of communication of project successes, restricted geographic scope, narrowly defined methodology in participation, and inability to deliver on promised project

funding. Among the panoply of national and international technical assistance providers in municipal strengthening and citizen participation, the Project lacks a well-defined profile.

However, as the Project relates to the Mission's overall strategy, it is of great value, since it represents the Mission's main investment in the crucial area of decentralization and local government strengthening, now that MEA is phasing out. The Mission has correctly determined that the stability of democracy in El Salvador depends heavily on the responsiveness of local government to the citizenry. This means much more than responsiveness to municipal service needs, but rather the ability of local government to engage the citizenry in a joint project of economic and social development.

8. Is there adequate coordination between the Project and other donor activities in the area (eg. GTZ). Are opportunities for collaboration being overlooked? Is there adequate coordination among principal actors in the Project.

In the first phase, the Project is well coordinated with other donor activities at the local level in the area of municipal finance (see Question 2 above). It was not adequately coordinated with other donor activities (mainly NGOs) at the local level in the area of participation. At the national level, there was inadequate coordination with other donors in both municipal finance and citizen participation. Important opportunities for collaboration with the many t.a. providers in municipal strengthening and citizen participation were overlooked--opportunities that would have allowed mutual learning and synergistic action. There was also inadequate coordination at the national level with principal actors in the Project, specifically, COMURES, Relaciones Exteriores, SRN, and ISDEM.

At a central level the Project seemed isolated and alone. There was no palpable sense among the contractor's staff of belonging to a reference group of t.a. providers that have the same objectives, either in El Salvador or in Latin America, when in fact there is a continent-wide network of such providers.

C. Technical Assistance and Training

1. Is the "selected service" component building a link between municipalities and citizens.

Since no selected services project was implemented during the pilot phase, it is not possible to measure or detect if links were built between municipalities and citizens. Based principally on the success of the Ereguayquín water project, it can be stated that the selected services component does have the potential to build such links if implemented in an appropriate, participatory manner where citizens have input into the plan for implementing the and provide counterpart labor or payment in support of the project. Without these elements, a sense of community ownership will not be fostered and, indeed could cause resentment within communities that may not benefit directly from the project.

2. Does the MEA process have implications for the future of the Project implementation methodology?

The MEA process showed that the incentive of project funds was enough to get mayors to change their behavior and hold cabildos, but not enough to get them to change their attitudes about cabildos and citizen participation. Now that the MEA funds seem inextricably tied up at a central level, caught between requirements imposed by SRN, SETEFE, and USAID, the use of MEA funds as an incentive to change behavior seems inappropriate. Mayors, council members, municipal employees, and community leaders, as well as some Project staff, are bitter about the 'broken promises'.

Future T.A. aimed at getting the mayors to adopt Project values should avoid extrinsic rewards (i.e. carrots) for desired behavior and instead, like the CAPS program, get the mayors to the point where they want to try an open council meeting or other participatory mechanism. At that point Project T.A. can be very effective in helping the mayor to implement the idea, but the desire must emanate from the mayor.

3. Is there sufficient focus on sustainability in the provision of T.A.?

The evaluation team could detect no efforts by the institutional contractor to provide for the local sustainability of t.a. provision in the first phase, which was, after all, the pilot phase. The new project amendment, however, calls for the institutional contractor to attempt to do so over the next two years.

(a) Private sector approach

One possible, but limited, avenue to do so would be to develop private sector capacity to provide t.a., along the lines of FUNDEMUN in Honduras.

The Fundación para el Desarrollo Municipal de Honduras, FUNDEMUN (1994), emerged from the Municipal Development Project of USAID/Honduras. It was formed with the local personnel of the institutional contractor (ICMA) that executed the technical assistance component for the first two years of the PDM by USAID/Honduras.

For the past two and half years, the direct technical assistance has been responsible for a total of 32 municipalities (initially with 22) that make up the PDM, and attend to the costs of assistance within the PDM and the participating municipalities.

The intention of the formation of FUNDEMUN was a confluence of the following motives. The following intentions were:

- to stimulate the private offers for technical services in the municipalities, breaking the state monopoly.

- continuity of the assistance once the project has been finalized.
- reduction of the costs for the project.

In the two years FUNDEMUN's operation, it has been consolidated as a private entity, a leader in the Central American region, a financially sustainable organization, and it has been contracted by GOH, the World Bank, IDB and other agencies and municipalities within and outside the PDM.

What different conditions are found in Honduras and not in El Salvador? Two principal differences are: 1) FUNDEMUN initiated operations three years after the effect of new legislation that strengthened the municipalities financially and economically, which transferred authority and power to the municipalities. This situation makes it easier for the municipalities to make use of private services and to pay for them. 2) The foundation had no confrontations with any state entity during this time period (the equivalent of ISDEM, Banco Municipal Autonomo, was found in the process of liquidation).

If both conditions were not found in El Salvador, is it suggested to follow the example of FUNDEMUN?

The answer is yes, for the following reasons:

- to begin with it is highly recommended among technical assistance material that competition exists. When competition does not exist, it indirectly creates a monopoly of "knowledge". When competition exists, the technical assistance material is more flexible, adjusts more rapidly to changes, and responds in a swift way to the requirements of the municipalities, etc.
- also in principle and definition, the cooperation should in some way guarantee the continuity of the process. With a foundation or other entity, the possibility of continuity is obviously greater.
- the individual municipalities and groups in COMURES are open to options that differ from traditional choices.
- ISDEM, according to the proclamation of higher authorities, they look into their effort to modernize themselves; in such a way that possible institutional friction will not occur.

Nevertheless, the FUNDEMUN approach may be best for activities that have a direct and fairly immediate impact on municipal income. T.A. activities with only indirect or long term impacts on municipal income--such as promoting participation and mutual understanding--are not easily picked up by the private for-profit sector, since the profit motive is not in play. And since such soft activities are a major component of the Project--in fact, they help to provide the

Project a unique niche among municipal t.a. providers--a totally private approach is not warranted.

(b) NGO approach

If the second phase is to have a greater emphasis on citizen participation, it will be useful to take advantage of the existing capacity among NGOs, both international and national, in promoting citizen participation at the local level. Several of these NGOs already have a well-defined, although constantly evolving, methodology of participation and 'mistica' among their staff. The institutional contractor could hold a competitive bid among NGOs, could contract out parallel work in different municipalities with different NGOs to compare their effectiveness, or could create an umbrella organization of NGOs to provide complementary services in the area of participation.

4. Assess and provide recommendation for improved quality and frequency of coordination with ISDEM. Are resources now provided to ISDEM working against other Project objectives? What should be USAID's relationship with ISDEM?

ISDEM will likely remain the principal government provider of technical assistance to municipalities as long as the current party is in power. ISDEM suffers from stereotyping by other providers that makes it difficult for other providers to accurately assess the quality of ISDEM's contributions and recent improvements. The evaluation team could find no concrete evidence of ineptness on ISDEM's part.

In fact, local Project staff spoke of positive working relationships with local ISDEM staff. High level ISDEM staff spoke positively of the Project and seemed familiar with some of its concrete achievements.

ISDEM poses no particular threat to the Project; there seems to be a functional division of labor. If the Project were to attempt to develop a private sector capability in municipal t.a. provision, ISDEM would still play a very useful role in the provision of technical assistance that is not specifically profitable in a market sense--eg. data base maintenance, assistance to small municipalities, early capacity building and private sector 'readiness' training, etc.

In short, the Project should maintain working relations at the local level and improve communication and cooperation at the national level.

D. Participation

1. How are municipal governments responding to citizens provided services? What is the view of participatory structures, eg., cabildos abiertos and others, being utilized by municipal governments?

(a) In the vast majority of cases, urban focus group participants noted that service delivery has improved greatly, particularly over the past 8 months to a year. Improvements were noted in several municipalities in various services such as public lighting, water and garbage. Other improvements were noted in services provided within the *alcaldia* including the reorganizing of departments to make access to information and payments easier, the establishment of an information booth where citizens are quickly and clearly directed to the different departments and the changed attitude of the employees in providing more courteous and efficient service to citizens.

Almost all rural residents interviewed stated that they had little contact with the municipality. A number of those interviewed stated that they had never even been inside the *alcaldia* and that they had noticed no significant changes in service delivery. Some rural residents noted improvements in services such as street repair and lighting but reported access to water and garbage collection as very limited or non existent, identifying these as critical and persistent problems.

(b) What is the view of participatory structures, eg. *cabildos abiertos* and others, which are being utilized by municipal governments? Is there a "demand" to participate on the part of the citizenry/civil society in general and not just politically motivated participation? Is a participatory culture emerging which includes increased willingness to pay for services?

Based on focus groups and informal interviews (and supported by the MEA evaluation), it is evident that the community views the *cabildos abiertos* as their main point of access to the municipality and the primary mechanism for participation. Focus group participants mentioned that would like to see changes in the *cabildo* in order to allow for participation from all sectors of the community and to make it more useful and interesting to all citizens. ADESCOs and civic committees were mentioned as mechanisms that citizens can use to work with the municipality and participate in service improvements and community development.

Community leaders participating in evaluation stakeholder noted citizen apathy as their greatest challenge to organizing as a community and working with municipal officials to complete development projects. Furthermore, they noted the reluctance of people to pay for services (or pay more for services) and stated that this was due in large part to the community's attitude that it is not their responsibility; the municipality should take care of it. However, the community leaders explained that with persistence on their part in making the community aware of what they can accomplish if all participate together, people are more willing to join in and contribute through labor and/or payment of a reasonable fees.

Political interests were not overtly demonstrated nor discussed as a means by which to rally support and participation. There appeared to be a genuine interest on the part of the community leaders interviewed to participate and encourage their neighbors to participate in order to improve their lives within their respective communities. As mentioned by leaders from communities in Usulután and Puerto el Triunfo, and as witnessed by the success of the Ereaguayquín water project, citizens have demonstrated their willingness to pay for services once

a sense of confidence is created between the municipality and the community by involving the community in planning for and implementing the project, showing results in the short run and creating a reasonable fee structure and clear and efficient billing procedures.

(c) What is the understanding of the municipalities as to their role in fiscal responsibility, public service function, citizen participation?

Both elected local officials and municipal employees understand their responsibility to effectively and fairly administer finances and services and to open these processes to public scrutiny. However, municipal officials tend to blame deficiencies in these areas on the lack of both human and financial resources at the municipal level. In stakeholder workshops, mayors and council members mentioned that they can not do it alone; they need the active support of both citizens and national institutions in providing efficient services to their communities.

With project assistance, the municipalities better understood their responsibilities as local administrator and service provider and implemented improvements in municipal administration, service provision and communications with the community in an effort to live up to these responsibilities. Mayors, council members and employees learned that service fees should be based on the real costs associated with providing each service; however, it was difficult for the municipality to increase fees when necessary because of resistance by citizens to pay more. This resistance was to a great degree based on the lack of confidence in the administrative ability of the municipality. Municipal officials stated that in order to overcome this obstacle and educate citizens as to their own responsibilities, they had to reach out to the community and improve communications and participation. However, discussions with municipal officials revealed a focus on improving communications with the community in order to increase citizens' willingness to pay taxes and service fees and participate in infrastructure projects. Local elected officials saw their responsibility as "taking into consideration the opinions of the community" through meetings and not involving citizens in decision-making.

2. What is the validity of the assumption that satisfaction with municipal services enforces democratic institutions in general?

This assumption, put forth in Seligson and Cordova, is tenuous because it is open to misinterpretation. Everything else equal, greater satisfaction with municipal services brings increased satisfaction with democratic institutions in general. But everything else is not equal. The economy does not provide the opportunity for adequate and dignified work. The society does not provide a climate of security, safety, and respect for human life. In the face of these issues, whether or not the streets are clean and the water runs or needs to be carried are minor issues. In the face of such instability, the role of local government is to provide citizens with a stake in the democratic system, let them see that democracy is a vehicle for economic and social improvement, and let them know that the vehicle is being driven by the citizens for the citizens. For El Salvador and other fledgling democracies the relationship between democratic strengthening and municipal service delivery is ambiguous. The two are not always consistent.

Another way of looking at this assumption is with respect to the project of modernization versus the project of post-modernization. The modernization project as applied to US local government in the progressive era was an attempt to rid local government of party politics and turn it into professional scientific management with city managers. That project has run its course and the growing public anomie with local government is turning into the post-modern project: renewing a sense of stakeholder ownership in local government through participation, dialogue, understanding, and mutual learning.

El Salvador is attempting to do both projects at once. USAID needs to design a project that does both at once. Both are necessary. But without a strong, equitable, participatory democracy aimed at economic and social development, the most efficiently run municipal services will not create 'ownership.'

E. Policy Reform

Achievements in national policy reform for decentralization and municipal government strengthening have given local governments ample unused potential for improving municipal financial strength before running aground on legal constraints. However, with respect to democratic participation and stakeholder ownership there are glaring legal bottlenecks that need to be addressed immediately. To reduce the control of party politics over municipal government, legislation allowing proportional representation and independent candidates must be approved. USAID should continue to support efforts along these lines.

F. COMURES

Opinions on COMURES' effectiveness in pushing the municipal legislative agenda vary among mayors and other observers. Most opinions are quite favorable; however, there is a minority opinion that points out a score of laws that strengthen community groups and NGOs in local service delivery without adequately involving municipalities (for example, in the area of education). Some mayors consider COMURES to be more swayed by party interests than before. One government source considers that COMURES did not lobby as strongly for property tax legislation as did SRN or ISDEM. Majority opinion, however, is that COMURES continues to negotiate municipal interests as effectively as the political climate will permit and that USAID should continue to support its efforts.

It is true that COMURES has effectively reduced its dependence on USAID support from about 85% of total budget to 15% of total budget by increasing member dues. An argument could be made that COMURES is ready to graduate. Nevertheless, given the importance of the national municipal legislative agenda for democratic strengthening, USAID should probably continue its enthusiastic support. USAID's support of a full time staff advisor to COMURES is seen positively among the donor community.

G. CDAs

CDAs are departmental-wide organizations of mayors, aimed at providing an intermediate-level forum for mayors to associate, share information, coordinate, prioritize, and strategize actions. Originally the Project supported CDAs, providing funding for a manager and modest equipment. However, the SRN and USAID withdrew support from CDAs when they refused to push for the property tax legislation. It is now apparent that the bargain struck to get the revenue sharing through the value added tax in exchange for giving up on the property tax legislation was probably the best that the mayors could hope for given the national political climate.

GTZ's appreciation of CDAs bears keeping in mind: they provide a crucial vehicle for reaching a large number of municipalities easily; while there is no other official grouping of municipalities they should be used, but not turned into mini-bureaucracies of a self-perpetuating nature. CDAs provide a multi-party forum for strategic planning for municipal development--i.e. prioritizing and coordinating a regional approach to municipal development, which is consistent with SRN's plan for a strategic regional approach to allocating resources to municipalities. FUSAI actually signs convenios with CDAs to provide technical assistance to municipalities. The Project's local counterpart institutions consider it was a mistake for USAID to discontinue support of the CDAs. SRN has stopped funding the Sonsonate and Usulután CDAs, making it difficult for them to progress.

Another way of reaching large numbers of municipalities is through microregions as ISDEM and GTZ do, or as the "tetrológia" water project is doing.

APPENDIX 3

PERSONS INTERVIEWED

USAID

Tom Hawk, Project Manager, IRD
Jacobó Harrouch, IRD
Jorge Abullarade, IRD
Kristen Loken, Chief, ODI
Carrie Thompson, ODI
Norma de Mata, PPD

GOES

INTERIOR AND PUBLIC SECURITY COMMISSION LEGISLATIVE ASSEMBLY

Juan Ramón Medrano, President
Ovidio Palomo, Member
Eduardo Linares, Member
Gabriel Murillo, Assemblyman

MICDES/VICE-MINISTRY OF FOREIGN RELATIONS PRESIDENTIAL COMMISSION FOR THE MODERNIZATION OF THE PUBLIC SECTOR

Maura Ramírez de Montalvo, Decentralization Component
Coordinator

SRN/FIS

Norma de Dowe, Secretary General

ISDEM

Edgar Antonio Mejía Flores, General Manager
Edgar Bustamante, President Aide

COMURES

Carlos Pinto, Executive Director
Don Bryant, Advisor
Pablo Portillo, Legal Advisor

RTI

Alan Austin, Director
Dwight Bunce, Finance Specialist
Eleonora J. de De Sola, Participation Specialist

RTI (cont.)

Oscar Orlando Vigil, Participation Consultant
Pauline Delgado, Finance Consultant
Roberto Avilés, Finance Consultant
Ernesto Dueñas, Coordinator, Department of Sonsonate
Eunice de Zelaya, Coordinator, Department of Usulután
Carlos Rodríguez, Coordinator, Select Services
Carmen Virginia Guzmán, Participation Consultant
Ulises Dagoberto Cruz, Participation Consultant
Patricia Montalvo, Participation Consultant
Victorino Rodríguez, Participation Consultant

Municipality of Acajutla

Francisco Adán Obando, Mayor
Israel González, General Manager
Aracely de Sosa, Municipal Treasurer
Abel López, Municipal Secretary
Claribel Farfán, Director of Communications
Cecilia Castellanos, Director of Community Development
Rafael Batres, Cadastral Director
María del Tránsito de Rodríguez, Director of Finance

Municipality of San Julián

Teodosio Salvador Rodríguez, Mayor
Rigoberto Sermeño, Municipal Secretary
Marta de Ruiz, Municipal Treasurer
María de los Angeles Villarán, Director of Public Relations
Guadalupe Ramos, Director of Finance
Silvia Molina, Water Services
Claudia Escobar, Personal Identification Cards
Silvia Yanira Brizuela, Cadastral Director

Municipality of Sonsonate

Abrahán López De León, Mayor
Alexis Cartagena, Operations Manager
Ana Laura Raymundo, Director of Finance
Jorge Aragujo, Community Development
Claudia Pleytes, Director of Public Relations
Evelin Breucop, Director of Human Resources
Douglas Agreda, Communications
A. Hernández, Member, (Brd. Dir.) ADESCO de Buenos Aires #1
Marta Hernández, Member, ADESCO de Buenos Aires # 1
Douglas Guzmán, Member, (Brd. Dir.), ADESCO de Las Tablas

Municipality of Erequayquín

Víctor Manuel Portillo, Mayor
Nora Marilú Roque, Executive Board Member
Melba Méndez de Funes, Board Member
Ana Vilma Aguilar, Municipal Secretary
Francisco A. Martínez, Director of Finance
Olivia Pineda Manzano, Communication and Participation.
Galileo H. Castillo, Water Commission Member

Municipality of Mercedes Umaña

Carlos Humberto Ortíz, Mayor

Municipality of Puerto El Triunfo

Rafael Arquímidez Romero, Mayor
Oscar Rosales, Municipal Secretary
José Manuel Hernández, Director of Finance
Municipality of Usulután
Bety Zaldívar de Gutierrez, Mayor
Rosendo González, General Manager
Calixto Chavez, Dir., Dept. of Communications
Manuel Rosales, CDA

CREATIVE ASSOCIATES INTERNATIONAL - CREA

Harold Sibaja, Executive Director
Dr. Claudia C. Pérez de Vargas, Technical Advisor

FUNDA UNGO

Ricardo Córdova, Executive Director

FUNDACION BUEN CIUDADANO

Dr. Julio Rafael Mejívar Rubio, Vice-President

GTZ

Ulrich Kuenzel, Director
Hernán Márquez Robalino, ISDEM Component Coordinator

IULA-CELCADEL

Mauricio Silva, Representative
Ernesto Barraza Ibarra, Assistant

APPENDIX 5

CASE STUDY OF COMPARATIVE MODEL: PROGRAMA DE CAPACITACION Y APOYO/ FUNDACION DE APOYO A MUNICIPIOS DE EL SALVADOR (PROCAP/FUNDAMUNI)

I. Introduction and Purpose of This Appendix

Information on PROCAP/FUNDAMUNI was developed under an extension of the USAID/El Salvador contract with Management Systems International (MSI) for evaluation of project 519-0394, the National Reconstruction Program (NRP), for which a draft report was submitted to the Mission at the end of May 1996. USAID considered this extension necessary, formulating a separate Scope of Work (SOW) "to provide a bridge between the findings and recommendations from the NRP evaluation related to Intermediate Result No. 3, 'Local level democratic institutions built and civic participation increased' of the SSO 'Assist El Salvador Make the Transition from War to Peace,' and the end-of-pilot phase evaluation of the Municipal Development and Citizen Participation Project" (MDCP), carried out by Cambridge Consulting Co.

During the extension (to August 15, 1996), the PVO/NGO Participation Specialist from the MSI NRP team worked in close collaboration with Cambridge evaluators to integrate findings from the evaluation of project 0394 into the MDCP study. In addition, the SOW for the extension called for "documenting one model for citizen participation at the municipal level, which is not USAID-funded, as a control group to permit the drawing of comparisons and new lessons that may be applied in designing the next phase of the Municipal Development Project." USAID and MSI agreed that PROCAP/FUNDAMUNI would be the model chosen for this purpose.

The final task under the extension called for the MSI contractor to develop and transmit to MDCP evaluators a preliminary assessment of selected citizen participation activities carried out under the Democratic and Electoral Processes project implemented by Creative Associates International, Inc. (CREA). MSI will complete a full evaluation of those activities subsequent to the MDCP report.

II. PROCAP/FUNDAMUNI

History, Mission and General Approach

Following the January 16, 1992 signing of the Peace Accords by the Government of El Salvador (GOES) and the Farabundo Martí National Liberation Front (FMLN), the U.N. Mission for El Salvador (ONUSAL) established a Program for the Restructuring of Public Administration aimed at 44 municipalities whose mayors had gone into exile during the war. In about half of those localities, Municipal Reconstruction and Development Commissions were established. These

Commissions, with members from both sides of the conflict, were to provide for the return of exiled mayors and bring local officials and citizen representatives (elected by their respective communities for this purpose) together to support the re-building of municipal government.

Motivated by the American Friends Service Committee, and with funding obtained by that organization from the Danish Development Agency, DANIDA, PROCAP was created as a six-month nongovernmental pilot project in November 1992 to provide support to the newly-formed Commissions and to assist in the re-establishment of the municipalities in question. Its efforts have therefore been concentrated in the departments of Morazán and Chalatenango.

During the pilot phase, PROCAP's specific purpose was to facilitate the work of the new Commissions, particularly in the area of conflict management. From the beginning, its mission has remained constant: to support municipal development with the participation of both local government officials and community members, while empowering both for the common good. The organization continues to see itself as a facilitator, providing training and technical assistance for critical municipal-level tasks, while respecting individual knowledge, experience and views and taking great care to ensure that all decisions come from the local group. Staff are also clear that this is a "learning organization;" all experience is processed through on-going internal dialogue, with lessons continually incorporated into activities designed to enhance long-term results.

In December 1994, PROCAP was institutionalized as a Salvadoran NGO called Fundación de Apoyo a Municipios de El Salvador (FUNDAMUNI), which has obtained legal recognition from the Ministry of the Interior. Most members of the FUNDAMUNI Board are also staff members, with several individuals from outside of the organization. Current plans are to gradually increase the number of outside members.

Funding Sources and Budget

In addition to continued support from DANIDA, PROCAP has also received funding from the official development agencies of Norway, Sweden and Canada, as well as from the Swedish church. Those donors contribute to PROCAP's overall program, rather than to specific activities within that program. This means that the organization is permitted to present the same financial and progress reports to all funders, thus reducing the staff time needed for administrative tasks. In addition, OXFAM-U.K. provided support for a particular housing initiative. PROCAP has never received financial support from USAID, and has opted out of other funding opportunities in order to avoid bureaucratic complications. At present, funding for the overall program is assured by Nordic donors through 1998, after which it is likely that their contributions will decrease over time. The only other funding source at present is FONAES (Environmental Fund of El Salvador) which, with funding from Canada, supports a 100 square Km. "microregion" project linked closely to the youth program in Chalatenango.

The organization now has a 50-person staff; its headquarters are in San Salvador, with departmental offices in Morazán and Chalatenango. The total budget for PROCAP's six-month

pilot phase was US\$50,000. As activities increased, so too did the annual budget. For the current 17-month phase through December 1996, the total budget is US\$1.6 million.

Evolutionary Strategy

PROCAP/FUNDAMUNI is now completing the fourth phase of a five-phase evolutionary strategic process which can be summarized as follows:

Phase 1: 6 months; November 1992/April 1993

Work in eight municipalities of Morazán and Chalatenango, providing support for newly-formed Municipal Reconstruction and Development Commissions. Staff had received training based on the Mennonite and other participatory methodologies for conflict resolution, and applied that learning to help overcome differences among Commission members and between municipal officials and community members in a process called "búsqueda de entendimiento e incremento de tolerancia" (search for understanding and increased tolerance). At the same time, PROCAP personnel immersed themselves in local dynamics/realities as a basis for facilitating agreement among all parties.

Phase 2: 12 months; May 1993/April 1994 (through the March 1994 elections and up to the installation of new mayors)

Expansion to a total of 17 municipalities, adding to above tasks training for local public and private leaders on the principles of "municipalism" (including the 1986 Municipal Code), and providing technical assistance in the formulation and presentation of project proposals for needed services to MEA and other potential funding sources.

Phase 3: 15 months; May 1994/July 1995 (following installation of newly-elected mayors)

Expansion to a total of 23 municipalities, adding technical support to local governments in the area of accounting, housing and youth development. This support consists of training municipal employees, mayors and town councils (many of whom were new as a result of the 1994 elections) in the accounting and administrative procedures required by the Corte de Cuentas, and also training community associations in how to formulate proposals and administer funds.

In the housing area, PROCAP has provided training and technical assistance to public and private leaders, facilitating the establishment and operation of joint housing committees, particularly for projects involving "ayuda mutua" (self-help) and the re-establishment of neighborhoods. For example, nearly 200 houses were built by newly-retuned residents in San Antonio Los Ranchos, Morazán. This activity is now operating in seven places.

Phase 4: 17 months; August 1995/December 1996

Expansion to a total of 27 municipalities, with three major strategic "ejes" (hubs) now clearly defined and each with specialized personnel: 1) generation of conditions for development (GECODE) - in all municipalities; 2) development of human potential targeting youth development - now in eight of the 27 municipalities with a total of 3,000 youngsters; 3) support for economic development - the newest addition to the strategy, with baseline information already collected in a number of the 27 municipalities served and pilots now initiated in six. Bridging the first two areas is an environmental initiative, linked closely with the youth program, but also including Ecological Committees made up of both youngsters and adults.

The GECODE team includes 10 staff members assigned by department (Morazán and Chalatenango), who work out of those offices to facilitate and monitor progress on all project activities, including the participatory formulation of municipal development plans by mayors, council members and community leaders (see Planning Seminars below). This team calls upon technical staff as needed, working with them on-site on specific tasks, such as the design of training and specialized project activities, direct technical assistance, the formulation of "carpetas técnicas" (technical materials) for infrastructure projects, and so forth.

The youth program involves youngsters in the 8-18 age bracket, with the greatest concentration being from 10 to 11 years of age. The purpose is to promote personal development and the enrichment of life experience, while supporting municipal development. The youth strategy centers around the creation of "sports schools" - soccer for boys and softball for girls, all grouped by age, with from four to six groups per municipality. These "schools" quickly attract young members and become the hub around which a variety of other activities takes place, including monthly training sessions on issues related to support for the community, such as sanitation, environment, etc; physical education classes; excursions; parent-child outings; local youth action projects, such as trash removal, tree planting; and the selection of 15 youth representatives in each municipality.

In Guarjila, Chalatenango, the community has given PROCAP/FUNDAMUNI a large piece of land ("en comodato") for the establishment of a youth center for children from surrounding municipalities. Training facilities, a cafeteria, and a small office building are now being completed, as well as soccer, softball, basketball and other recreational areas. The center also includes a greenhouse, already in operation, where members of the sports schools prepare seedlings for subsequent planting around the 19 natural water heads that exist in the 100 square Km. "microregion" identified in the FUNDAMUNI/FONAES agreement. The purpose is to conserve water sources by preventing further erosion due to deforestation. A similar youth center is contemplated in Morazán for the municipalities with which FUNDAMUNI is working in that department.

Under the FONAES project, Ecological Committees have been formed in the four municipalities in Chalatenango located within above-mentioned microregion. These Committees are linked directly with the youth program, but also include adult members (i.e., youth teaching adults

about the importance of the environment). About 40% of this project is dedicated to training for Committee members and others, with some youth selected for more intensive training in such subjects as water, soils, solid waste, greenhouses/seedling production, and so forth. As part of an experiential training approach, members of the Sports Schools prepare seedlings in the greenhouse, go on excursions to the various water heads within the area identified, and carry out other related activities. Other facets of this component include: production and dissemination of a video explaining environmental problems; community theater; radio programming; special events, such as world environment day; and awards to youngsters for selected achievements, such as finding or planting the greatest variety of seeds. Another 40% of the project is aimed at protecting the 23 water heads found in the target area, including reforestation initiatives and coordination with the government's Interinstitutional Committee for the formulation of municipal regulations ("ordenanzas"), with which participating youth will assist. The final 20% of the project is dedicated to the preparation of conditions for reforestation (for example, collecting solid waste in target areas), preparing seedlings, and carrying out studies on "ordenamiento territorial."

In addition to the two environmental specialists, the entire youth staff and training personnel, as needed, support these activities.

The "**Support for Economic Development**" hub began in October 1995 with the services of six specialized consultants, two of whom are now on the permanent staff. Both are economists, and were also trained in participatory methodologies. They facilitate the creation and operation of municipal-level committees whose purpose is to improve local economic conditions. This initiative is still in the pilot stage of testing and refining. It involves an initial seminar in which local officials and community leaders discuss three components around which needed actions are identified: 1) reorientation of production, including crop diversification; 2) strengthening the means of production; and 3) infrastructure needed to support economic development.

Phase 5: 24 months; January 1997/December 1998

Current plans call for working in a maximum of 25-30 municipalities with varying degrees of intensity to institutionalize participatory processes for local planning and development. This will involve support for the full range of activities (i.e., all three hubs) and on-going staff presence in 15 municipalities, while providing less frequent technical assistance and monitoring in remaining municipalities. The strategy is to fully test, absorb, refine and consolidate the full municipal development model in the 15 sites selected before expanding to new locations.

Staff Selection, Training and Management

PROCAP/FUNDAMUNI is populated by a highly dedicated staff who work long hours, often seven days a week, and demonstrate deep commitment to the communities they serve. Their dedication is further stimulated by the flexible, participatory management style employed. Everyone "owns" the organization; all ideas and lessons learned are heard and taken advantage of in an evolutionary planning process. In essence, PROCAP/FUNDAMUNI clearly embodies

the values and principles it seeks to promulgate at the municipal level - participatory, democratic development.

In Phase One, the Executive Director, who had been trained in the participatory conflict resolution methodologies employed by the Mennonites, identified potential staff members and invited them to a training program on participatory methodology. For this purpose, a consultant associated with the Mennonites was chosen. That seminar provided an opportunity to see potential employees in action, after which various trainees were occasionally hired as consultants for specific tasks. Over time, and as staff needs grew, the Director hired the most appropriate individuals as permanent staff. However, training at FUNDAMUNI is an on-going activity. That is, based on new experiences, staff develop new approaches and hold internal trainings, and also attend training events on matters of interest sponsored by outside agencies.

The organization's 50 employees include a 14-member administrative staff, along with field and technical personnel organized in accordance with the three strategic areas outlined above (Phase 4), as well as by region. In addition to the 10-member GECODE staff, there is a three-member training unit; seven technical specialists for infrastructure projects; two for economic development; two for environmental activities; and 12 youth specialists. All field and technical staff have been trained in participatory methodology, and are organized in a matrix-type arrangement, working together as activities require. The Executive Director meets on a weekly basis at headquarters with each of the three staff groups for purposes of information sharing and forward planning, and full staff meetings are held every four to six months to cross-fertilize and conduct organizational planning.

In addition, the Executive Director has established two internal mechanisms to help ensure effective and efficient operations: a Coordinating Committee which includes individuals from each unit meets weekly to discuss cross-unit collaboration and logistical needs (i.e., vehicle use, etc.); and an Advisory Committee, also with representation from the various units, is convened when the need arises for policy or other decisions affecting the entire organization. For example, this Committee is now considering office alternatives in Chalatenango because the house that FUNDAMUNI currently rents is to be sold and the price that the organization could pay to purchase it is below what the owner wants. This has also led the Committee into a broader discussion of the desirability of eventually purchasing rather than renting other offices as well, as an investment in the organization's future.

Methodological Approach

The organization's methodology for participatory municipal development has evolved over time, in keeping with its own experience and the rapidly-changing local context. This evolution has involved initiatives and the provision of technical assistance in various critical areas, culminating in the current holistic participatory planning process, which comes under the GECODE rubric. To date, the full process has been carried out, and development plans formulated, in 19 places - 12 municipalities in Chalatenango and 6 in Morazán, plus one canton in San Miguel.

In the early phases, when entering a municipality PROCAP staff nurtured contacts with the mayor, council members and local community leaders to build trust, become familiar with the needs of the municipality, and eventually to offer support in the form of training and technical assistance. It should be noted that PROCAP/FUNDAMUNI, as a fundamental principle, never offers or provides financial resources to municipal officials or community leaders. Nor does it seek any written agreement with local officials as a condition for services. Given that the organization's reputation for being trustworthy and effective has spread to neighboring municipalities, FUNDAMUNI has received more requests than it can handle to enter new localities. Thus, for the most recent expansion to new municipalities (last half of 1995), the time needed for FUNDAMUNI's initial contact work had been nearly eliminated.

As noted in above description of the organization's various phases, PROCAP has provided support of various types in the selected municipalities - always in accordance with the particular needs or priorities of that community. Mayors and community leaders interviewed for this study were quick to underscore PROCAP's help, for example, in obtaining funding for badly-needed infrastructure projects and the provision of training and other key technical support. They explained, for example, that PROAP/FUNDAMUNI had: prepared necessary technical studies; facilitated contact with the Secretariat for National Reconstruction MEA program; trained local housing committees, municipal employees and others; described the requirements of potential funding sources (including USAID's Micro-Project Fund); and so forth. In essence, PROCAP/FUNDAMUNI has built a record of success in supporting the municipalities it serves, while simultaneously building trust and becoming intimately familiar with community needs.

Planning Seminars

Currently, in the municipalities it serves PROCAP/FUNDAMUNI is carrying out a municipal development planning process, which begins with a two-day Planning Seminar in which mayors, council members and community leaders participate together, regardless of any real or imagined links to a particular political party. To date such Seminars have been held in 18 municipalities (six in Morazán and 12 in Chalatenango) and one Canton (by agreement with the mayor of San Antonio del Mosco, San Miguel, this process is going forward in the Canton of San Diego, which belongs to that municipality, but can only communicate with Torola in winter when the Torola River rises, and where FUNDAMUNI is working). An average of 26 persons participate in these Planning Seminars. Care is taken to ensure representation from every canton (which average four per municipality). To ensure that results respond strictly to local needs and desires, national NGOs and other extra-municipal entities are not included in this first part of the process.

The Planning Seminar consists of the following steps:

- Needs Identification (Diagnóstico) - group is divided by canton, each with a PROCAP/FUNDAMUNI facilitator, to describe the canton and carry out a preliminary identification of community needs.

- Understanding the importance of coordination/organization -through inductive physical exercises such as "telaraña" (spiderweb) and a deck of "planning cards," participants come to see the importance of coordinated, organized effort in order to overcome challenges.
- Completion of needs identification - groups complete the identification of most pressing needs.
- Setting criteria - as a prelude to prioritizing needs, the group is led through an exercise ("sociodrama" or fishbowl) to set criteria. After brainstorming a list of possible items, each person is given a number of points to assign/vote for the three criteria they consider most important for the prioritizing process.
- Prioritization of needs - based on the criteria agreed upon, the group discusses the needs identified, and prioritizes/ votes on two types of problems, infrastructure and socio-economic, producing two separate lists of needs, each in order of priority.
- Definition of goals and objectives - participants break into work groups by issue/needs to set goals and objectives for activities to resolve the problems identified.
- Programming activities - PROCAP/FUNDAMUNI provides information on various potential sources of support (i.e., FIS, USAID, SRN, MEA, NGOs, etc.) and their respective requirements, timelines and proposal formats. Participants group the needs identified in accordance with the various potential funding sources, and lay out actions to be taken.
- Creation of a Comité para el Desarrollo del Municipio (CODEM) - from 8 to 14 people who represent the municipal government and the various cantons and community groups are selected by participants for this Committee, which is to be responsible for finalizing/refining the plan and promoting/setting it in motion.

For these Seminars, as well as for all training sessions, FUNDAMUNI's rule of thumb is to provide five staff members/facilitators per 30 participants. Post-Seminar activities include refinement of the action plan by the CODEM, which meets about every two weeks (with FUNDAMUNI facilitation) and proceeds to disseminate information about the plan throughout the municipality. This also serves to legitimize the CODEM at the community level. PROCAP/FUNDAMUNI provides continued technical assistance for the formulation of technical documents ("carpetas técnicas") for infrastructure projects, and for the drafting of proposals.

On Sunday, June 9, PROCAP/FUNDAMUNI convened a meeting in San Francisco Gotera of the six CODEMs in Morazán and one in San Miguel that had formulated development plans through Planning Seminars. These included the municipalities of Cacaopera, Villa El Rosario, Meangera, Joateca, Arambala, and Torola, and the canton of San Diego. A total of 92 persons attended, including three of the six mayors, various síndicos and council members, and

community representatives. In some cases, leaders who were not CODEM members had also been invited to participate by their respective Committees. The purpose was to share information across municipalities, receive the polished document/plan (which FUNDAMUNI had produced and duplicated), and discuss next steps - i.e., how to best disseminate the plan to others in the municipality, and what/how to present relevant elements to the most appropriate potential funding sources. In this process, the idea of inter-municipal collaboration (i.e., "microregiones") to address like needs was also discussed. All ideas will be taken up at the next meetings of the CODEMs, and FUNDAMUNI will of course continue to provide technical support and training as warranted. On this occasion, the FUNDAMUNI Director facilitated plenary sessions, and seven other staff members were on hand to facilitate small group discussions. On observing this process, it was clear that an extremely high level of trust and confidence had been established between participants and FUNDAMUNI staff.

On June 15 and 16, such sessions were scheduled for the 12 CODEMs in Chalatenango that have developed plans - six on Saturday, and six on Sunday. Some 80 to 90 persons were expected at each session.

Collaboration Pays Off: A Case in Point

One example of the benefits of collaborative effort (a la the microregion approach) emerged from the identification of the same priority need by six neighboring municipalities in Chalatenango. The number one infrastructure priority chosen was for a road to connect four municipalities, with spurs off to two others. Because FUNDAMUNI was facilitating activities in all locations in question, some months ago it suggested a meeting of the six mayors along with leaders of those communities to discuss the wisdom of a collaborative effort and the feasibility of a joint proposal. The idea was immediately embraced by all concerned. After many more sessions and timely support by FUNDAMUNI - including the preparation of preliminary topographical studies, the drafting of a pre-proposal, showing an estimated total cost of over 10 million Colones, and arrangements for the group to meet with appropriate USAID staff - the Mission recently announced that it would fund the entire project with 0394 resources. October of this year is the estimated start date.

On June 11, this MSI Contractor attended a meeting of the six mayors and respective community leaders to discuss next steps. Since the last meeting, about a month ago, mayors had discussed the project with their respective town councils as well as with the trucking/transport companies and other businesses that operate in the area, while community leaders had discussed it with members of their organizations. All reported full support and eagerness to collaborate, including plans to designate funds from municipal budgets for certain maintenance expenses, possible contributions by local businesses, and in-kind contributions by affected community groups for road maintenance once it is built. An engineer from the Ministry of Public Works, which supervises all such projects, was also on hand to explain the role of the Ministry and its technical requirements and procedures. The group is clearly proud of this accomplishment, and aware of its significance as a model of collaboration, especially since the project involves three Arena mayors and three from the FMLN.

The issue of how to cover some of FUNDAMUNI's costs for preparing the detailed technical package that will be needed, estimated to be over C200,000, was also discussed. FUNDAMUNI reported that it had already provided over C55,000 for technical work to date, and that while the organization has made this a priority and is committed to the additional expenditure if necessary, this would mean that the remainder of its technical assistance budget for the year would be exhausted, depriving other municipalities in Chalatenango of needed technical support. The group immediately developed a plan for a joint approach to covering FUNDAMUNI's costs, identifying a number of potential sources beginning with the embassies of Spain, France, Austria, Canada, and Britain. All felt strongly that FUNDAMUNI's continued assistance was vital to project success.

In short, the level of human interaction and commitment to maintaining the integrity of the project and of the group itself was most impressive. The question of upcoming mayoral elections, and the need to avoid any interference or deformation of this collaborative effort was also openly discussed, with mayors from both parties expressing strong agreement.

Here several lessons emerge which underscore the effectiveness of cross-cutting and mutually-reinforcing facets of the participatory, collaborative approach. Specifically, to make this project work this case has involved collaboration: 1) among mayors from two opposing political parties; 2) between mayors and community leaders; 3) between public and private municipal leaders and a Salvadoran NGO, which is facilitating the process and providing technical assistance; 4) between municipal and central government units; and 5) support from an international donor - USAID. It should be noted that, according to USAID officials, because these six municipalities are in an area where a large number of land transfers have been made under project 0394, the road in question will be particularly important to help ensure the success of those new land-holders, most of whom are ex-combatants.

Decisions Pending

Because of the staff-intensive nature of its work, including post-Seminar activities in 18 places with more on the way, PROCAP/ FUNDAMUNI is now in the process of deciding where to concentrate its efforts in the future. To avoid staff burnout while ensuring the most effective use of available resources, as noted above, by next year the organization plans to limit continual staff presence to some 15 municipalities. Now under discussion are the criteria to be used in choosing those locations. Remaining municipalities (of the 27 now served) will receive less frequent technical assistance and monitoring. It is envisioned that once the participatory process becomes sufficiently self-sustaining in one municipality, PROCAP/FUNDAMUNI will "graduate" that community and move on to another. As part of Phase 4 of above strategy, details for the selection of "high-intensity" municipalities are to be worked out by the end of this year.

Other considerations which will affect decisions concerning the investment of the organization's human and financial resources include: 1) the breadth of the youth program, including environmental initiatives - which is seen as a high priority, and now has staff working in 8 of

the 27 municipalities; and 2) the newest initiative which is to provide support for economic development in an increasing number of municipalities, which is considered essential if municipal development is to be strengthened and sustained.

The Issue of Size

Because of the size and socio-economic disparities that exist within the municipality of Chalatenango, and with the full support of the mayor (who was interviewed for this study), PROCAP/FUNDAMUNI developed a canton-by-canton strategy for its work there. According to the mayor, the total population is now approximately 80,000. The municipality has six cantons, three of which are characterized as low-income areas, while the other three are economically better off by comparison. The urban center ("casco urbano") presents yet a third socio-economic reality, being populated by a good number of business people and professionals who have little relationship with any of the cantons.

To date, FUNDAMUNI has facilitated Planning Seminars in the three low-income cantons, and expects to expand to the other three before long. In each case, Seminar participants form a "Comité para el Desarrollo del Cantón (CODECA - instead of CODEM). Ultimately, the strategy calls for bringing all canton-level CODECAs together to identify common priorities and consider overarching initiatives for development of the entire municipality. Individuals from, and activities affecting, the urban center will also be identified. Issues mentioned by the mayor as being of vital concern to all of his constituents include the incidence of crime (though it is lower here than in any other part of the country, according to official estimates), unemployment, and the need for improved basic infrastructure. Certainly, experiences such as above-described "microregional" road project provide persuasive evidence of how everyone, regardless of their social or economic status can benefit from collaborative efforts.

III. Important Methodological Elements

Found in the PROCAP/FUNDAMUNI Approach

In preparation for development of this case study, USAID/El Salvador provided the MSI contractor with a number of background documents, including a report by Sandra Lynn Dunsmore, titled Inventory of Civic Participation/Local Democratic Governance Models, which lists PROCAP/FUNDAMUNI as one of the models, and was presented to USAID and Creative Associates International in November 1995. After drafting the present case study, the MSI contractor reviewed the Dunsmore report in greater detail, this time focusing on Section A which discusses "Elements of a Framework for Thinking about Civic Participation and Local Democratic Governance," rather than on the models themselves.

This author finds Dunsmore's analysis of civil society in El Salvador and the derivative methodological framework she presents to be insightful and highly relevant as a guide for strengthening civic participation and building democratic municipal government in this country. Elements of that framework are particularly germane to a full understanding of the

PROCAP/FUNDAMUNI case. In fact, during the course of this investigation there was clear evidence that many of those elements are, in fact, in operation in PROCAP/FUNDAMUNI's work.

For these reasons, rather than duplicating Dunsmore's efforts, the following eight points were extracted from above-cited paper for purposes of further clarifying PROCAP/FUNDAMUNI's approach, which we find to be appropriate and effective. (All quotes and page numbers refer to the Dunsmore paper; emphasis added).

1. "The design of projects for strengthening civil society and/or for promoting citizen participation should be based on the development of an **adequate methodological approach, rather than on detailed planning of specific activities and/or structures**. Projects can only maximize their relevance to the local population if they retain the flexibility to respond to specific needs and concerns as citizens learn to identify and express them. Funders... need to develop an increased sensitivity to the importance of this type of flexibility." (p. 11-12)
2. "Chances of promoting citizen participation are much greater if there is first a process which:
i) helps specific groups of citizens **identify the principal concerns of their community or sector, and ii) assists them in establishing priorities**. Once a community or sector has gone through a process of establishing priorities, there is a greater possibility that they will be motivated to participate around those priorities." (p. 8)
3. "In the absence of capable local leaders, it is often tempting for project implementers to take on the role of intermediary between the local population and government institutions, thereby substituting themselves for local leadership.. Strengthening the capacity of the local population to resolve its own problems should be one of the objectives of projects which promote citizen participation. In this context, **the role of the project implementer is to provide technical assistance, training and accompaniment**." (p. 9)
4. "One of the biggest challenges in this field of work is to recruit and train a good staff team. Few professionals have experience in working in a participative way with local citizens. Recruitment needs to be based on an individual's... openness and commitment to learning/developing a fundamentally different way of working with people, in addition to his or her professional background and experience. Team members need a strong sense of mission and commitment as this type of work frequently requires much more than a 40-hour week... A good staff team is built and consolidated over time. Project planning needs to take this into consideration... **there needs to be a serious institutional commitment to staff development and training as an integral aspect of the program**." (p. 12-13)
5. "Citizen participation in local governance means involving citizens in priority setting and decision-making. Responsible participation in decision-making requires: 1) an understanding of the global needs of the municipality, and not merely the capacity to advocate in the interest of one's own community; 2) the ability to establish criteria for setting priorities; and 3) the willingness to engage in a process of establishing priorities in which the specific interests of

one's own community may not come out on top. **Citizen participation means more than simply having people express their opinions. The right to participate in the decision-making process brings with it the responsibility of facing tough decisions.**" (p. 13)

6. "When designing programs for individuals with little experience of democratic participation, it is useful to think in terms of a **learning cycle involving the following components:**

- an educational component in which people reconceptualize themselves as actors;
- an analytical component in which people identify needs or concerns and set priorities for action;
- a training component in which people prepare themselves to act;
- an experiential component in which they learn by acting; and finally,
- a second analytical component in which they analyze and evaluate their actions as a way of consolidating their experience.

... accompaniment through a series of these 'cycles' is essential in order to increase the potential of a positive learning experience." (p.9) "... one shot activities will likely be much less effective at promoting sustainable citizen participation than a series of activities over time with the same people that reinforce the learning experience and increase motivation." (p. 10)

7. Regarding workshops and seminars, "it is not sufficient that the methodology be participative. People can participate without learning. Beginning where people are, and then designing steps to help them move through the [learning cycle] increases the possibility of a sustainable impact... It is not a matter of finding or designing the perfect seminar, and then mechanically replicating it... it needs to be continually evaluated and adjusted based on what is learned from each new experience. This requires an **institutional commitment to a continual process of evaluation after each activity.**" (p. 10)

8. "Many of the current generation of community leaders do not have the vision and creativity that their communities will require in the coming years. Although it is important to continue working with this generation of leaders, it is also **important to begin working with young people** who are the potential leaders of the future. Work with young people needs to focus on the development of their human potential, as well as the development of their leadership capacity." (p. 10-11)

EPILOGUE

In closing, it is suggested that the points listed above offer valuable guidance to USAID/El Salvador and its Institutional Contractor for the design of the next phase of the Municipal Development and Citizen Participation Project. They are of particular relevance to the "local democratic development" component of that Project, which calls for increased public participation in decision-making at the local level, and the fostering of dialogue between municipalities and their constituents.